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ABSTRACT

This report contains (1) texts of House Resolutions that are designed to provide various types of Federal assistance to States, local districts, and individuals; and (2) statements and articles by groups, experts, government officials, and concerned citizens concerning these bills. Many of the bills and statements are concerned with equality of educational opportunity. The bills provide (1) financial assistance for construction and acquisition of facilities and equipment for schools serving children of low-income families, (2) grants to all students in either public or private schools, (3) aid to improve teacher salaries, (4) aid designed to increase a State's share of expenditure for public education, and (5) other types of aid. (JF)

ED 073533

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

HEARINGS

BEFORE THE

GENERAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

ON

H.R. 44, H.R. 128, H.R. 981, H.R. 1491, H.R. 6179, H.R. 6521, H.R. 7796, H.R. 12367, and Related Bills

TO INCREASE EDUCATIONAL OPPORTUNITIES THROUGHOUT THE NATION BY PROVIDING GRANTS FOR THE CONSTRUCTION OF ELEMENTARY AND SECONDARY SCHOOLS AND SUPPLEMENTAL EDUCATIONAL CENTERS, AND FOR OTHER PURPOSES

HEARINGS HELD IN WASHINGTON, D.C.,
FEBRUARY 28, 29; MARCH 1; APRIL 17, 18, 19, 26;
MAY 2, 4, AND 11, 1972

Printed for the use of the Committee on Education and Labor

CARL D. PERKINS, *Chairman*

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FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

MONDAY, FEBRUARY 28, 1972

U.S. HOUSE OF REPRESENTATIVES,
GENERAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m. in room 2175 of the Rayburn House Office Building, Hon. Roman C. Pucinski (chairman) presiding.

Present: Representatives Pucinski, Ford, Meeds, Quie, Bell, Ruth, and Peyser.

Staff members present: John F. Jennings, counsel; Toni Painter, secretary; and Charles W. Radcliffe, minority counsel for education.

Mr. PUCINSKI. The committee will come to order. The General Subcommittee on Education is beginning today extensive hearings on the financing of elementary and secondary education. The purpose of these hearings is to secure action by the Federal and State Governments assuring a quality education to every American youngster.

A year ago I introduced the National Partnership in Education Act as one means to assure this quality education. That bill calls for the assumption by the Federal Government over a 3-year period of one-third of the cost of elementary and secondary education, thus hopefully enabling local school districts to maintain a floor of $1,200 or thereabouts or as the minimum to be spent on the education of every student.

Since I introduced that bill, most of the national education organizations have endorsed the concept of a one-third partnership by the Federal Government.

And I was particularly pleased to learn yesterday that Commissioner Marland has now endorsed the idea that the Federal Government ought to provide at least one-third of the cost of education and that there ought to be a national floor guaranteeing that an equal amount be spent on the education of every child.

But at this very hour and in this very building, the House Judiciary Committee is also beginning hearings, hearings on a constitutional amendment barring busing to achieve racial balance in the schools.

I believe that the controversy and divisiveness surrounding that amendment have caused us as Americans to lose sight of what ought to be a fundamental national goal: making available a quality education to every American child regardless of his race and regardless of where he lives.

I sincerely believe that if we were ever to attain that goal, pressure for excessive busing solely to achieve racial balance would wither away.

It is important, however, to recognize a basic fact which the growing national debate on busing has brought to light: in most instances, minority children are not now being provided a quality education. I believe that it is of the highest priority that we develop and act on a national consensus that a quality education be provided these children.

But I would also like to emphasize that the problems of financing our schools are not just problems affecting minority students. They affect almost all our students—children from families with higher than average incomes as well as children from working class families.

The dire financial straits which many school districts across the country find themselves in today, frustrates all efforts at securing the goal of a quality education for all children. A recent survey of the 100 largest school systems in the country revealed that almost half have had to lay off teachers, shorten the school year, close libraries, or in some other way seriously curtail their educational program.

Portland, Oreg., for instance, plans to close its doors 21 days early this year due to the defeat of three consecutive bond issues.

Chicago and Philadelphia each find themselves faced with budget deficits totaling well over $30 million. New York City has eliminated 5,000 teaching positions, reduced remedial services, curtailed summer instruction, and slashed adult education programs.

This financial crisis, however, is in no way limited to the largest school systems. Independence, Mo., and Wood and Preble Counties, Ohio, are examples of suburban and rural school systems which have suffered bond issue rejections and have had to shut down completely for weeks or even months.

The basic cause of this crisis lies in the undue reliance of our schools on the property tax as their major source of funding. Almost 53 percent of the revenue for our elementary and secondary schools comes from local sources, almost totally the local property tax, while the Federal Government pays a mere 7 percent.

This is inversely proportional to the ability of the local and Federal governments to raise revenue. The Federal Government collects 64 percent of the total tax revenue in the country and local governments (including school districts) only 17 percent.

These facts are not escaping the average taxpayer. According to the Investment Bankers Association, voters in 1960 rejected 11 percent of the school bond issues put before them; in 1965, the rejection rate was 33 percent; and by last year, it had leaped to 52 percent.

The voters in this country simply will no longer tolerate a tax system based on the 19th century concepts of wealth.

But more importantly, this antiquated tax system is causing a denial of equal educational opportunity to many American youngsters, measured in no other than dollar terms, as the recent court decisions have clearly documented.

It is my belief that the Federal Government must begin immediately to correct this denial of equal educational opportunity and to lighten the burden of property taxpayers by assuming one-third of the cost of elementary and secondary education.

A year ago I introduced the National Partnership in Education Act which provides for such an assumption over a period of 3 years. Since that time, as I stated, the six largest educational organizations have endorsed that concept; they are the National Education Association, the National Association of State Boards of Education, the National School Boards Association, the American Association of School Administrators, the National Congress of Parent-Teacher Associations, and the Council of Chief State School Officers.

The national educational finance project funded by the U.S. Office of Education has also endorsed the partnership idea, as has Commissioner Marland now.

The *Serrano* decision last August, and the subsequent related court decisions since then, have made inevitable such massive Federal aid for our schools.

Local tax resources simply are not capable of assuming the additional burden of substantially increasing the funds which we spend on education.

The burden of providing quality education to all children must now shift to the State and Federal Government, and this shift must embody as an essential element relief for the local property taxpayer.

Since I introduced the Partnership Act, H.R. 6179, a number of other Members have also introduced bills calling for massive Federal general aid.

These hearings will look at all these bills in our consideration of the whole range of alternatives for future Federal action.

In particular, we will hear testimony on H.R. 12367 introduced by Congressman William Ford; H.R. 44, H.R. 981, and H.R. 1491, all introduced by Congressman Carl Perkins; H.R. 128 introduced by Congressman Delaney; and H.R. 6521 introduced by Congressman Dow. These bills will be inserted in the record at this point.

(Texts of H.R. 44, H.R. 128, H.R. 981, H.R. 1491, H.R. 6179, H.R. 6521, H.R. 7796, and H.R. 12367 follow:)

92d CONGRESS
1st Session

H. R. 44

IN THE HOUSE OF REPRESENTATIVES

January 22, 1971

Mr. Perkins introduced the following bill; which was referred to the Committee on Education and Labor

---

A BILL

To increase educational opportunities throughout the Nation by providing grants for the construction of elementary and secondary schools and supplemental educational centers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Elementary and Secondary School Construction Act of 1971".

TITLE I—FINANCIAL ASSISTANCE FOR CONSTRUCTION AND ACQUISITION OF FACILITIES AND EQUIPMENT FOR SCHOOLS SERVING CHILDREN OF LOW-INCOME FAMILIES

SEC. 101. The Act of September 23, 1950, Public Law 815, Eighty-first Congress, as amended (20 U.S.C. 631–645), is amended by inserting: "TITLE I—FINANCIAL ASSISTANCE FOR SCHOOL CONSTRUCTION IN AREAS AFFECTED BY FEDERAL ACTIVITY" immediately above the heading of section 1, by striking out "this Act" wherever it appears in sections 1 through 10, inclusive (other than where it appears for the first time in the third sentence of section 9), and inserting in lieu thereof "this title", and by adding immediately after section 10 the following new title:

"TITLE II—FINANCIAL ASSISTANCE FOR CONSTRUCTION AND ACQUISITION OF FACILITIES AND EQUIPMENT FOR SCHOOLS SERVING CHILDREN OF LOW-INCOME FAMILIES

"DECLARATION OF POLICY

"SEC. 201. In recognition of the special educational needs of children of low-income families and the impact that concentrations of low-income families have on the ability of local educational agencies to support adequate programs for the construction of facilities for their public elementary and secondary schools, the Congress hereby declares it to be the policy of the United States to provide financial assistance (as set forth in this title) to local educational agencies serving areas with concentrations of children from low-income families to construct, reconstruct, renovate, and improve elementary and secondary school facilities (including preschool facilities) so as to meet more effectively the special educational needs of educationally deprived children.

"DURATION OF GRANTS

"SEC. 202. The Commissioner shall, in accordance with the provisions of this title, make payments to State educational agencies for grants to local educational agencies for the period beginning July 1, 1971, and ending June 30, 1976.

"GRANTS—AMOUNT AND ELIGIBILITY

"SEC. 203. (a) (1) From the sums appropriated for making grants under this title for a fiscal year, the Commissioner shall reserve such amount, but not in excess of 2 per centum thereof, as he may determine and shall allot such amount among Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective need for such grants. The maximum grant which a local educational agency in Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands shall be eligible to receive shall be determined pursuant to such criteria as the

Commissioner determines will best carry out the purposes of this title.

"(2) In any case in which the Commissioner determines that satisfactory data for that purpose are available, the maximum grant which a local educational agency in a State shall be eligible to receive under this title for any fiscal year shall be an amount equal to one-half of the average per pupil expenditure in that State or in all the States, whichever is the larger, multiplied by the sum of (A) the number of children aged five to seventeen, inclusive, in the school district of such agency, of families having an annual income of less than the low-income factor (established pursuant to subsection (c)), and (B) the number of children of such ages in such school district of families receiving an annual income in excess of the low-income factor (as established pursuant to subsection (c)) from payments under the program of aid to families with dependent children under a State plan approved under title IV of the Social Security Act. In any other case, the maximum grant for any local educational agency in a State shall be determined on the basis of the aggregate maximum amount of such grants for all such agencies in the county or counties in which the school district of the particular agency is located, which aggregate maximum amount shall be equal to one-half of such average per pupil expenditure multiplied by the number of children of such ages and families in such county or counties and shall be allocated among those agencies upon such equitable basis as may be determined by the State educational agency in accordance with basic criteria prescribed by the Commissioner. For purposes of this subsection the 'average per pupil expenditure' in a State or in all the States shall be the aggregate current expenditures, during the second fiscal year preceding the fiscal year for which the computation is made, of all local educational agencies in the State, in all the States plus any direct current expenditures by the State for operation of such agencies (without regard to the sources of funds from which either of such expenditures are made), divided by the aggregate number of children in average daily attendance to whom such agencies provided free public education during such preceding year.

"(3) For purposes of this subsection, the term 'State' does not include Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

"(b) A local educational agency shall be eligible for a grant for a fiscal year under this title only if it meets the following requirements with respect to the number of children aged five to seventeen, inclusive, of families having an annual income of less than the low-income factor (as established pursuant to subsection (c)):

"(1) In any case (except as provided in paragraph (3)) in which the Commissioner determines that satisfactory data for the purpose of this subsection as to the number of such children of such families are available on a school district basis, the number of such children of such families in the school district of such local educational agency shall be—

"(A) at least one hundred, or

"(B) equal to 3 per centum or more of the total number of all children aged five to seventeen, inclusive, in such district,

whichever is less, except that it shall in no case be less than ten.

"(2) In any other case, except as provided in paragraph (3), the number of children of such ages of families with such income in the county which includes such local educational agency's school district shall be one hundred or more.

"(3) In any case in which a county includes a part of the school district of the local educational agency concerned and the Commissioner has not determined that satisfactory data for the purpose of this subsection are available on a school district basis for all the local educational agencies for all the counties into which the school district of the local educational agency concerned extends, the eligibility requirement with respect to the number of children of such ages of families of such income for such local educational agency shall be determined in accordance with regulations prescribed by the Commissioner for the purposes of this subsection.

“(c) For the purposes of this section, the ‘low-income factor’ shall be $2,000.

“(d) For the purposes of this section, the Commissioner shall determine the number of children aged five to seventeen, inclusive, of families having an annual income of less than the low-income factor (as established pursuant to subsection (c)) on the basis of the most recent satisfactory data available from the Department of Commerce. At any time such data for a county are available in the Department of Commerce, such data shall be used in making calculations under this section. The Secretary of Health, Education, and Welfare shall determine the number of children of such ages from families receiving an annual income in excess of the low-income factor (established pursuant to subsection (c)) from payments under the program of aid to families with dependent children under a State plan approved under title IV of the Social Security Act on the basis of the best available data for the period most nearly comparable to those which are used by the Commissioner under the first two sentences of this subsection in making determinations for the purposes of subsections (a) and (b). When requested by the Commisisoner, the Secretary of Commerce shall make a special estimate of the number of children of such ages who are from families having an annual income less than the low-income factor (established pursuant to subsection (c)) in each county or school district, and the Commissioner is authorized to pay (either in advance or by way of reimbursement) the Secretary of Commerce the cost of making this special estimate. The Secretary of Commerce shall give consideration to any request of the chief executive of a State for the collection of additional census information.

"APPLICATION

"SEC. 204. (a) A local educational agency may receive a grant under this title for any fiscal year only upon application therefor approved by the appropriate State educational agency, upon its determination (consistent with such basic criteria as the Commissioner may establish under section 205)—

"(1) that payments under this title will be used for projects for the construction of school facilities of the local educational agency which are designed to serve school attendance areas having high concentrations of children from low-income families, including facilities for special projects conducted by the local educational agency in which children from such areas who are enrolled in private elementary or secondary schools, may participate as authorized by section 105 of title I of the Elementary and Secondary Education Act of 1965, as amended;

"(2) that the local educational agency has provided satisfactory assurance that the control of funds provided under this title, and title to property derived therefrom, shall be in a public agency for the uses and purposes provided in this title, and that a public agency will administer such funds and property;

"(3) that the project is not inconsistent with overall State plans for the construction of school facilities and that the requirements of section 423 of the General Education Provisions Act will be complied with on all such construction projects;

"(4) that the local educational agency will make an annual report and such other reports to the State educational agency, in such form and containing such information, as may be reasonably necessary to enable the State educational agency to perform its duties under this title, and will keep such records and afford such access thereto as the State educational agency may find necessary to assure the correctness and verification of such reports.

"(b) The State educational agency shall not finally disapprove in whole or in part any application for funds under this title without first affording the local educational agency submitting the application reasonable notice and opportunity for a hearing.

"BASIC CRITERIA

"SEC. 205. As soon as practicable after the enactment of this Act, the Commissioner shall by regulation prescribe basic criteria to be applied by State educational agencies under section 204. In addition to other things, such basic criteria shall include the requirement that in approving applications under section 204 priority shall be given to projects which provide for the replacement or restoration of hazardous or unsafe facilities, the consolidation of school facilities where the existing facilities do not provide separate classrooms for each grade, the modernization or replacement of facilities which are antiquated or functionally obsolescent, or the modernization or replacement of facilities to provide innovative facilities or equipment.

"ASSURANCES FROM STATES

"SEC. 206. (a) Any State desiring to participate in the program of this title shall submit through its State educational agency to the Commissioner an application, in such detail as the Commissioner deems necessary, which provides satisfactory assurance—

"(1) that, except as provided in section 207 (b), payments under this title will be used only for projects which have been approved by the State educational agency pursuant to section 204 (a) and which meet the requirements of that section, and that such agency will in all other respects comply with the provisions of this title, including the enforcement of any obligations imposed upon a local educational agency under section 204 (a) ;

"(2) that such fiscal control and fund accounting procedures will be adopted as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the State (including such funds paid by the State to local educational agencies) under this title; and

"(3) that the State educational agency will make to the Commissioner such reports as may be reasonably necessary to enable the Commissioner to perform his duties under this title (including such reports as he may require to determine the amounts which the local educational agencies of that State are eligible to receive for any fiscal year).

"(b) The Commissioner shall approve an application which meets the requirements specified in subsection (a), and he shall not finally disapprove an application except after reasonable notice and opportunity for a hearing to the State educational agency.

"PAYMENT

"SEC. 207. (a) (1) The Commissioner shall, subject to the provisions of section 208, from time to time pay to each State the amount which the local educational agencies of that State are eligible to receive under this title.

"(2) From the funds paid to it pursuant to paragraph (1) each State educational agency shall distribute to each local educational agency of the State which is not ineligible by reason of section 203 (b) and which has submitted an application approved pursuant to section 204 (a) the amount for which such application has been approved, except that this amount shall not exceed an amount equal to the maximum amount of the grant as determined for that agency pursuant to section 203.

"(b) The Commissioner is authorized to pay to each State amounts equal to the amounts expended by it for the proper and efficient performance of its duties under this title, except that the total of such payments in any fiscal year shall not exceed 1 per centum of the total of the amount of the grants paid under this title for that year to the local educational agencies of the State.

"(c) (1) No payments shall be made under this title for any fiscal year to a State which has taken into consideration payments under this title in determining the eligibility of any local education agency in that State for State aid, or the amount of that aid, with respect to the free public education of children during that year or the preceding fiscal year.

"(2) No payments shall be made under this title to any local educational agency for any fiscal year unless the State educational agency finds that the combined fiscal effort (as determined in accordance with regulations of the Commissioner) of that agency and the State with respect to the provision of free public education by that agency for the preceding fiscal year was not less than such combined effort for the fiscal year ending June 30, 1969.

"ADJUSTMENTS WHERE NECESSITATED BY APPROPRIATIONS

"SEC. 208. If the sums appropriated for any fiscal year for making the payments provided in this title are not sufficient to pay in full the total amounts which all local and State educational agencies are eligible to receive under this title for such year, such amounts shall be reduced ratably. In case additional funds become available for making payments under this title for that year, such reduced amounts shall be increased on the same basis that they were reduced."

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 102. (a) The Act of September 23, 1950, Public Law 815, Eighty-first Congress, as amended (20 U.S.C. 631–645), is amended by inserting "TITLE III—ADMINISTRATIVE PROVISIONS" immediately after section 10, and by redesignating sections 11, 12, 13, 14, 15, 16, and 17 as sections 301, 302, 303, 304, 305, 306, and 307, respectively.

(b) The section of such Act redesignated as section 302 is amended by adding at the end thereof the following new subsection:

"(e) No funds appropriated to carry out the provisions of this Act shall be used for the purpose of religious worship or instruction or for the construction of facilities as a place of worship or religious instruction."

DEFINITIONS

SEC. 103. (a) The section of the Act of September 23, 1950, Public Law 815, Eighty-first Congress, as amended, redesignated as section 305 is amended by adding at the end thereof the following:

"(17) The term 'current expenditures' means expenditures for free public education to the extent that such expenditures are made from current revenues, except that such term does not include any such expenditure for the acquisition of land, the erection of facilities, interest, or debt service.

"(18) The term 'county' means those divisions of a State utilized by the Secretary of Commerce in compiling and reporting data regarding counties."

(b) Paragraph (4) of such section is amended by inserting before the period at the end thereof the following: ", except that such term does not include any education provided beyond grade 12".

EXTENSION OF PUBLIC LAW 815, EIGHTY-FIRST CONGRESS

SEC. 104. (a) Section 3 of the Act September 23, 1950 (Public Law 815, Eighty-first Congress), is amended by striking out "June 30, 1973" and inserting in lieu thereof "June 30, 1976".

(b) Paragraph (15) of the section of such Act redesignated as section 315 is amended by striking out "1968–1969" and inserting in lieu thereof "1971–1972".

TITLE II—CONSTRUCTION ASSISTANCE ON ACCOUNT OF SUDDEN AND SUBSTANTIAL INCREASES IN ENROLLMENTS

SEC. 201. The last sentence of section 3 of the Act of September 23, 1950 (20 U.S.C. 631), is amended to read as follows: "Such order of priority shall provide that applications for payments based upon increases in numbers of children counted under paragraph (3) of section 5(a) or upon increases in the number of children residing on, or residing with a parent employed on, property which is part of a low-rent housing project assisted under the United States Housing Act of 1937 shall not be approved for any fiscal year until all other applications under paragraph (2) of section 5(a) have been approved for that fiscal year."

SEC. 202. Paragraph (3) of section 5 (a) of such Act is amended to read as follows:

"(3) the estimated increase, since the base year, in the number of children in the membership of schools of such agency, but only to the extent such increase exceeds 10 per centum of the number of children who were in average daily membership of the schools of such agency during the base year, multiplied by 45 per centum of the average per pupil cost of constructing minimum school facilities in the State in which the school district of such agency is situated."

SEC. 203. Section 5 (b) of such Act is amended (1) by striking out "If two or more of the paragraphs" and inserting in lieu thereof "If both paragraph (1) and paragraph (2)", and (2) by adding at the end thereof the following new sentence: "If paragraph (1) or (2) of subsection (a) applies to a child to whom paragraph (3) also applies, then only paragraphs (1) and (2) shall be deemed to apply to such child, except that paragraph (3) shall apply to such child if the local educational agency was not eligible for payments for the increase period on account of children counted under paragraphs (1) and (2)."

SEC. 204. The first sentence of section 5 (c) of such Act is amended to read as follows:

"(c) A local educational agency shall not be eligible to have any amount included in its maximum by reason of paragraph (1) or (2) of subsection (a) unless the increase in children referred to in such paragraph, prior to the application of the limitation in subsection (d), is at least twenty and is—

"(1) equal to at least 10 per centum of the number of all children who were in the average daily membership of the schools of such agency during the base year, or

"(2) at least one thousand five hundred, whichever is the lesser.

A local educational agency shall not be eligible to have any amount included in its maximum by reason of paragraph (3) of subsection (a) unless the increase in children referred to in such paragraph is at least twenty."

SEC. 205. (a) The first sentence of section 5(d) of such Act is amended (1) by inserting after "for purposes of" the following: "paragraphs (1) and (2) of", and (2) by striking out "and that the number of children counted for the purposes of paragraph (3) of subsection (a) shall not be reduced by more than two thousand five hundred".

(b) The second sentence of section 5(d) of such Act is amended by inserting after "requirements of" the following: "paragraphs (1) and (2) of".

SEC. 206. Section 315(5) of the Act of September 23, 1950 (as so redesignated by section 102 of this Act), is amended by adding at the end thereof the following new sentence: "In determining the membership of schools, children who are not enrolled on a full-time basis but who receive free public education at the schools of the agency shall be counted on a pro rata basis according to the percentage of the regular school day they spend at the schools of the agency."

SEC. 208. The amendments made by this title shall be effective on July 1, 1971.

TITLE III—AUTHORIZATION OF FUNDS FOR THE CONSTRUCTION OF SUPPLEMENTARY EDUCATIONAL CENTERS

SEC. 301. (a) The first sentence of section 301(b) of the Elementary and Secondary Education Act of 1965 is amended by inserting before the period at the end thereof the following: ", and for each of the three succeeding fiscal years".

(b) Section 301 of such Act is amended by adding at the end thereof the following new subsection:

"(c) In order to expedite construction under this title, there is authorized to be appropriated the sum of $250,000,000 for the fiscal year ending June 30, 1972, $400,000,000 for the fiscal year ending June 30, 1973, and $500,000,000 for the fiscal year ending June 30,

1974. and for each of the two succeeding fiscal years for the purpose of making grants under this title for construction of supplementary educational centers. Funds appropriated under this subsection shall not be considered for purposes of the application of paragraphs (7) and (8) of section 305(b)."

92D CONGRESS
1ST SESSION

H. R. 128

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 1971

Mr. DELANEY introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To authorize a two-year program of financial assistance for all elementary and secondary school children in all of the States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this title may be cited as the "Schoolchildren's Assistance Act of 1971".

DECLARATION OF PURPOSE

SEC. 2. It is the purpose of this title to authorize a two-year program of financial assistance for all elementary and secondary school children in all of the States.

It is the intent of Congress that the Federal Government shall continue to fulfill its responsibility to the whole

Nation in education by guaranteeing (1) the right of the parent to have his child educated in a school of his own choosing; (2) the perpetuation of freedom of choice on all levels of education; (3) the continuation of the pluralistic system of education currently operative in these United States.

It is further the intent of Congress to avoid any contravention or limitation either directly or indirectly of the constitutionally guaranteed rights of any individual in matters of education.

It is further the intent of Congress to provide equal opportunity for all children of the Nation recognizing that the greatest asset of the Nation is the development of the minds of the children of the Nation.

It is the purpose of this bill to provide educational opportunities to all children of the Nation by granting to such children financial assistance as part payment of their education.

ASSURANCE AGAINST FEDERAL INTERFERENCE IN SCHOOLS

SEC. 3. In the administration of this title, no department, agency, officer, or employee of the United States shall exercise any direction, supervision, or control over the policy determination, personnel, curriculum, program of instruction, or the administration or operation of any school or school system.

SEC. 4. There is hereby authorized to be appropriated, without any limitation of such appropriation or condition inconsistent with or contrary to the terms or purposes of this title, for the fiscal year beginning July 1, 1971, $5,200,000,000 and for the fiscal year beginning July 1, 1972, $5,356,000,000 for the purpose of making payments as provided in this title.

ALLOTMENTS TO SCHOOL PUPILS

SEC. 5. The sum of $100 appropriated pursuant to section 4 shall be allotted annually to each school pupil for the purposes of defraying part of the cost of his education.

A parent or other legal guardian whose child or ward attends a private school or desires to attend a private school shall designate and record this intention on forms to be furnished by the Commissioner of Education. The Commissioner of Education is authorized to promulgate rules to protect the interest of the child and of the United States in carrying out the purposes of this Act. All school pupils who do not record their intention or desire to attend a private school shall be presumed to attend or desire to attend a public school, and the allotment for these school pupils shall be paid by the Commissioner of Education to the local educational agency in the political subdivision wherein such a child resides.

The allotment granted to an eligible pupil attending a private school shall be made in the form of a check drawn upon the Treasury of the United States which shall be honored for payment only when endorsed by payee to the school of the pupil's attendance and endorsed by an authorized official of the same institution.

DEFINITIONS

SEC. 6. For the purposes of this Act—

(1) The term "Commissioner" means the United States Commissioner of Education.

(2) The term "local education agency" means a board of education or other legally constituted local school authority having administrative control and direction of elementary or secondary schools in a city, county, township, school district, or other political subdivision.

(3) The term "State" includes the District of Columbia, Puerto Rico, Guam, American Samoa, and the Virgin Islands.

(4) The term "private school" means an elementary or secondary school legally constituted under the laws of the State, which includes within its curriculum all of the necessary subjects which must be taught under the education laws of the State, even though such schools also teach additional subjects besides those required by the laws of the State.

(5) The term "public schools" means schools providing

free education at public expense, under public supervision and direction and without tuition charge to resident pupils, and which is provided as elementary or secondary school education by a State or local education agency.

(6) The term "school pupils" means pupils in daily attendance at all elementary and secondary schools within a State, both private and public.

(7) The term "elementary and secondary education" shall not include any education provided below the kindergarten level or beyond grade 12.

92D CONGRESS
1ST SESSION

H. R. 981

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 1971

Mr. PERKINS introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To establish a national program of assistance to the States with the goal of achieving equalized excellence in schools throughout the Nation over a ten-year period.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Nationwide Educational Excellence Act".

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act to set forth goals of educational excellence and a realistic program for achieving these goals over a ten-year period in cooperation with the States and local communities. This program is intended to meet such major goals as a level of expenditures for education of $1,600 per pupil throughout the Nation within a ten-year period, measured in 1967 dollars; full participation of all children aged five to seventeen in high-quality schooling; substantially increased numbers of teachers to achieve a lower student-teacher ratio; improved teachers' salaries; increased numbers of educational personnel other than teachers, including school aides; summer programs, adult education, and school meals and medical and health services for all who need them; and safe, modern school facilities for all school children.

AUTHORIZATION

SEC. 3. (a) The Commissioner of Education shall make payments in accordance with this Act to State education agencies for grants to local educational agencies to be used in meeting educational needs in the areas served by such agencies.

(b) There are hereby authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1970, and each succeeding fiscal year prior to July 1, 1979, to enable the Commissioner to make the allotments to which States are entitled under section 4.

ALLOTMENTS TO STATES

SEC. 4. (a) Out of the sums appropriated for each fiscal year, the Commissioner shall allot to each State an amount equal to the product obtained when the number of children aged five to seventeen, inclusive, within each such State is multiplied by the Federal share per pupil for the State.

(b) The Federal share per pupil for each State for each fiscal year shall be equal to the difference between the total projected increase in average per pupil expenditure and the State's anticipated increase.

(c) No State shall receive an allotment under this Act for any fiscal year with respect to which that State does not maintain the State's anticipated increase (as defined in paragraph (2) of subsection (d) in the State's basic average per pupil expenditure).

(1) The "total projected increase in average per pupil expenditure" for each fiscal year means an amount equal to the difference between $1,600 and the State's basic average per pupil expenditure for the base year, divided by 10 and multiplied by the number of years between the base year and the year for which the determination is being made.

(2) The "State's anticipated increase" for each fiscal year means an amount equal to the product of—

(A) the State's basic average per pupil expenditure for the base year, multiplied by—

(B) the percentage rate equivalent to—

(1) the average annual percentage rate of increase in that State's basic average per pupil expenditure during

the period of years from 1961 through 1967, multiplied by—

(2) the number of years between the base year and the year for which the determination is being made;

(3) the "base year" means the year immediately preceding the first fiscal year for which appropriations are made to carry out this Act; and

(4) the dollar allotments as set forth in this section shall, for each fiscal year, be adjusted to allow for decreases in the purchasing power of the dollar, as measured by the Consumer Price Index, since 1967.

ASSURANCES FROM STATES

SEC. 5. (a) Any State desiring to receive funds under this Act shall submit through its State educational agency to the Commissioner an application, in such detail as the Commissioner deems necessary, which provides satisfactory assurance—

(1) that payments under this Act will be used only for programs and projects which have been approved by the State educational agency and which meet the applicable requirements of this Act and that such agency will in all other respects comply with the provisions of this Act, including the enforcement of any obligations imposed upon a local educational agency under this Act;

(2) that such fiscal control and fund accounting procedures will be adopted as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the State (including such funds paid by the State to local educational agencies) under this Act; and

(3) that the State educational agency will make to the Commissioner such reports as may be reasonably necessary to enable the Commissioner to perform his duties under this Act, and that such agency will keep such records and afford such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

(b) The Commissioner shall approve an application which meets the requirements of this Act, and he shall not finally disapprove an application except after reasonable notice and opportunity for a hearing to the State educational agency.

WITHIN-STATE EQUALIZATION

SEC. 6. The Commissioner shall not approve an application by a State for funds under this Act unless there is satisfactory assurance that such funds will be allocated among the local educational agencies within that State in such a manner that, when added to the State's basic average per pupil expenditure, there will be, to the extent feasible, approximately equal levels in the total average per pupil expenditure throughout all areas of the State.

APPLICATIONS FROM LOCAL EDUCATIONAL AGENCIES

SEC. 7. (a) A local educational agency may receive a grant under this Act for any fiscal year only upon application therefor approved by the appropriate State educational agency, upon its determination (consistent with such basic criteria as the Commissioner may establish)—

(1) that payments under this part will be used for programs and projects which are designed to meet educational needs in school attendance areas served by each local educational agency;

(2) that, to the extent consistent with the number of children in the school district of the local educational agency who are enrolled in private elementary and secondary schools, such agency has made provision for including special educational services and arrangements (such as dual enrollment, educational radio and television, and mobile educational services and equipment) in which such children can participate;

(3) that the local educational agency has provided satisfactory assurance that the control of funds provided under this Act, and title to property derived therefrom,

shall be in a public agency, and that a public agency will administer such funds and property;

(4) in the case of any project for construction of school facilities, that the project is not inconsistent with overall State plans for the construction of school facilities and that the requirements of section 8 will be complied with on all such construction projects;

(5) in the case of a project for the construction of school facilities, that, in developing plans for such facilities, due consideration has been given to compliance with such standards as the Secretary of Health, Education, and Welfare may prescribe or approve in order to insure that facilities constructed with the use of Federal funds under this Act shall be, to the extent appropriate in view of the uses to be made of the facilities, accessible to and usable by handicapped persons;

(6) in the case of a project for the construction of school facilities, that, in developing plans for such facilities, due consideration has been given to excellence of architecture and design, and to the inclusion of works of art (not representing more than 1 per centum of the cost of the project) ; and

(7) that the local educational agency will make an annual report and such other reports to the State

educational agency, in such form and containing such information, as may be reasonably necessary to enable the State educational agency to perform its duties under this Act, and will keep such records and afford such access thereto as the State educational agency may find necessary to assure the correctness and verification of such reports.

(b) The State educational agency shall not finally disapprove in whole or in part any application for funds under this Act without first affording the local educational agency submitting the application reasonable notice and opportunity for a hearing.

(c) Prior to the disbursement of Federal funds to any State, the chief school officer shall file with the United States Commissioner of Education a plan acceptable to the Commissioner for the distribution of such Federal funds. The plan for distribution of Federal funds within the State shall be based upon consideration for the fiscal ability of a local school district or other nonpublic school to support educational services and upon the extent of educational need within the district as determined by the reading achievement of pupils within the districts.

LABOR STANDARDS

SEC. 8. All laborers and mechanics employed by contractors or subcontractors on all construction projects assisted under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276-5). The Secretary of Labor shall have with respect to the labor standards specified in this section the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 5 U.S.C. 133z-15) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

WITHHOLDINGS

SEC. 9. Whenever the Commissioner, after reasonable notice and opportunity for hearing to any State educational agency, finds that there has been a failure to comply substantially with any assurance set forth in the application of that State approved under this Act, the Commissioner shall notify the agency that further payments will not be made to the State under this Act (or, in his discretion, that the State educational agency shall not make further payments under this Act to specified local educational agencies affected by the failure) until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied, no further payments shall be made to the State under this Act, or payments by the State educational agency under this Act shall be limited to local educational agencies not affected by the failure, as the case may be.

JUDICIAL REVIEW

SEC. 10. (a) If any State is dissatisfied with the Commissioner's final action with respect to the approval of its application submitted under section 5, or with his final action under section 9, such State may, within sixty days after notice of such action, file with the United States court of appeals for the circuit in which such State is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Commissioner. The Commissioner thereupon shall file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States Code.

(b) The findings of fact by the Commissioner, if supported by substantial evidence shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall file in the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(c) Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

FEDERAL CONTROL OF EDUCATION PROHIBITED

SEC. 11. Nothing contained in this Act shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system, or over the selection of library resources, textbooks, or other printed or published instructional materials by any educational institution or school system.

DEFINITIONS

SEC. 12. As used in this Act—

(a) The term "Commissioner" means the Commissioner of Education.

(b) The term "State" includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

(c) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision of public elementary and secondary schools, or, if there is no such officer or agency, an officer or agency designated by the Governor or by State law.

(d) The term "local educational agency" means a public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or such combinations of school districts or counties as are recognized in a State as an administrative agency for its public elementary or secondary schools. Such term also includes any other public institution or agency having administrative control and direction of a public elementary or secondary school.

(e) The "average per pupil expenditure" in a State for any fiscal year shall be the aggregate current expenditures of all local educational agencies in the State, plus any direct current expenditures by the State for operation of such agencies, divided by the aggregate number of children in average daily attendance to whom such agencies provided free public education during such year.

(f) The "State's basic average per pupil expenditure" means the average per pupil expenditure in a State exclusive of funds derived from Federal sources and, if the State so determines, exclusive of State funds for special educational purposes.

92D CONGRESS
1ST SESSION

H. R. 1491

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 1971

Mr. PERKINS introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To provide Federal assistance to States for improving elementary and secondary teachers' salaries, for meeting the urgent needs of elementary and secondary education, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "General Education Assistance Act of 1971".

BASIC GRANTS AUTHORIZED

SEC. 2. (a) The Commissioner shall, in accordance with the provisions of this Act, make basic grants to State educational agencies for increasing the salaries of teachers and meeting the urgent needs of State educational agencies and local educational agencies within such States for current expenditures.

(b) For the purpose of making such grants there is hereby authorized to be appropriated for the fiscal year ending June 30, 1971, and for each of the four succeeding fiscal years an amount equal to $100 multiplied by the number of children, aged five to seventeen, inclusive, in all the States.

ALLOTMENTS FOR BASIC GRANTS

SEC. 3. (a) From the sums appropriated pursuant to section 2(b) for each fiscal year the Commissioner shall allot to each State an amount which bears the same ratio to the total of such sums as the number of children aged five to seventeen, inclusive, in such State bears to the number of such children in all the States.

(b) The number of children aged five to seventeen, inclusive, in a State and in all the States shall be determined by the Commissioner on the basis of the most recent satisfactory data available to him.

SUPPLEMENTAL EQUALIZATION GRANTS

SEC. 4. (a) For the purpose of making additional funds to local educational agencies to meet their urgent needs in providing educational services and programs, there is hereby authorized to be appropriated $2,500,000,000 for the fiscal year ending June 30, 1971, and for each of the four succeeding fiscal years.

(b) From the sums appropriated under subsection (a) for any fiscal year, the Commisioner shall allot not more than 3 per centum among the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective needs for assistance under this title. The Commissioner shall allot the remainder of the sums so appropriated among the remaining States proportionately according to the number of children in the State aged five to seventeen, inclusive, in a category described in clause (A), (B), or (C) of section 103 (a) (2) of the Elementary and Secondary Education Act of 1965 (assuming a "low-income" factor of $3,000). In making determinations under the preceding sentence, the Commissioner shall use the data prescribed under 103 (d) of such Act.

(c) Subject to the provisions of section 6, the Commissioner shall for each fiscal year make a grant to each State educational agency equal to the State's allotment under subsection (b) for that year.

(d) From the grant made for a fiscal year under subsection (c), the State educational agency shall, except as provided in the next sentence, make a grant to each local educational agency in the State in an amount equal to the amount of the State grant which is attributable to children in the school district of such agency. Where satisfactory data are not available to determine the amount of a grant to a local educational agency under the preceding section, the State educational agency shall determine the amount of the State grant which is attributable to children in the county or counties in which the school district of such agency is located, and shall apportion the funds among the agencies whose school districts are located in such county or counties on such equitable basis as may be determined by the State educational agency, in accordance with basic criteria prescribed by the Commissioner.

(e) A grant received by a local educational agency under this section shall be used for current expenditures to meet its urgent needs in providing educational services and programs.

USES OF FEDERAL GRANTS

SEC. 5. The State educational agency shall use at least one-half of any grant or grants received under this Act from sums appropriated under section 2 (b), in accordance with applications approved under section 6, for payment to local educational agencies within such State to be used by such local agencies for increasing the salaries of teachers employed by such local agencies, and for increasing the salaries of teachers employed by such State educational agency. The remainder of such grant may be used, in accordance with applications approved under section 6, for payment to local educational agencies within such State to meet the urgent needs of such local agencies for current expenditures, including expenditures for employing additional teachers and teacher aides for summer school and preschool programs, programs and activities in which children in attendance at private nonprofit schools may participate on a shared-time basis, and for State educational agencies to meet the urgent needs of any such agency for current expenditures, including expenditures for summer school and preschool programs.

APPLICATIONS

SEC. 6. (a) A grant or grants under this Act shall be made to a State educational agency upon application to the Commissioner at such time or times, in such manner, and containing or accompanied by such information as the Commissioner deems necessary. Such application shall—

(1) provide that the use of the Federal funds received under this Act will be administered by or under the supervision of the State educational agency;

(2) provide assurances that funds appropriated under section 2(b) will be used in accordance with section 5, prescribe criteria for achieving equitable distribution of such funds within such State and for identifying the urgent needs for current expenditures of such State agency and of local educational agencies within such State: *Provided*, That such criteria shall not permit

the amount to be distributed to a local educational agency to be affected by the amount of its grant under section 4;

(3) provide assurances that funds appropriated under section 4 (a) will be used for purposes set forth in section 4 (e);

(4) set forth policies and procedures which assure that Federal funds made available under this Act for any fiscal year (A) will not be commingled with State funds, and (B) will be so used as to supplement and, to the extent practical, increase the level of funds that would, in the absence of such Federal funds, be available for the purposes described in section 5, and in no case supplant such funds;

(5) provide assurances that, to the extent consistent with law, programs and services designed to meet urgent needs for current expenditures will be provided on an equitable basis to children attending private elementary and secondary schools in the State which comply with the compulsory attendance laws of the State or are otherwise recognized by it through some procedure customarily used in the State;

(6) provide for such fiscal control and fund accounting procedures as may be necessary to assure the proper disbursement of an accounting for Federal funds re-

ceived under this Act, and such reporting procedures, including an evaluation of the impact of Federal funds received under this Act, as the Commissioner may reasonably require; and

(7) provide adequate procedures for affording the local education agencies within such State reasonable notice and opportunity for hearing.

(b) The Commissioner shall approve an application which meets the requirements specified by subsection (a) of this section and shall not finally disapprove, in whole or in part, any application without first affording the State educational agency submitting the application reasonable notice and opportunity for a hearing.

PAYMENTS

SEC. 7. (a) From the amount allotted to each State pursuant to section 3, the Commissioner shall pay to the State educational agency of such State which has an application approved under section 6 an amount equal to the amount needed for the purposes set forth in such application.

(b) (1) The Commissioner is authorized to pay to each State amounts equal to the amounts expended by it for the proper and efficient performance of its duties under this Act, except that the total of such payments in any fiscal year shall not exceed—

(A) 1 per centum of the total of the amount paid under this Act for that year to the State educational agency, or

(B) $150,000 or $25,000 in the case of Puerto Rico, Guam, American Samoa, the Virgin Islands, or the Trust Territories of the Pacific Islands,

whichever is greater.

(2) There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

(c) Payments under this Act may be made in installments and in advance or by way of reimbursements, with necessary adjustments on account of overpayments or underpayments.

WITHHOLDING

SEC. 8. Whenever the Commissioner, after reasonable notice and opportunity for any State educational agency, finds that there has been a failure to comply substantially with any provision set forth in the application of that State approved under section 6, the Commissioner shall notify the agency that further payments will not be made to the State under this Act (or, in his discretion, that the State educational agency shall not make further payments under this Act to specified local educational agencies whose actions caused or are involved in such failure) until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied, no further payments shall be made to the State under this Act, or payments by the State educational agency under this Act shall be limited to local educational agencies whose actions did not cause or were not involved in the failure, as the case may be.

JUDICIAL REVIEW

SEC. 9. (a) (1) If any State is dissatisfied with the Commissioner's final action with respect to the approval of its application submitted under section 6 or with his final action under section 8, such State may within sixty days after notice of such action, file with the United States court of appeals for the circuit in which such State is located a petition for review of that section. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Commissioner. The Commissioner thereupon shall file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States Code.

(2) The findings of fact by the Commissioner, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall file in

the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(3) Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(b) (1) If any local educational agency is dissatisfied with the final action of the State educational agency with respect to any payment to such local agency pursuant to this Act, such local agency may, within sixty days after such final action or notice thereof, whichever is later, file with the United States court of appeals for the circuit in which the State is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the State educational agency. The State educational agency thereupon shall file in the court the record of the proceedings on which the State educational agency based its action as provided in section 2112 of title 28, United States Code.

(2) The findings of fact by the State educational agency, if supported by substantial evidence shall be conclusive; but the court, for good cause shown, may remand

the case to the State educational agency to take further evidence, and the State educational agency may thereupon make new or modified findings of fact and may modify its previous action, and shall certify to the court the record of the further proceedings.

(3) The court shall have jurisdiction to affirm the action of the State educational agency or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

PROHIBITIONS

SEC. 10. (a) Nothing contained in this Act shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system, or the selection of library resources by any educational institution or school system, or over the content of any material developed or published under any program assisted pursuant to this Act.

(b) Nothing contained in this Act shall be construed to authorize the making of any payment under this Act for religious worship or instruction.

ADMINISTRATION

SEC. 11. (a) The Commissioner may delegate any of his functions under this Act, except the making of regulations, to any officer or employee of the Office of Education.

(b) In administering the provisions of this Act, the Commissioner is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public or nonprofit agency or institution in accordance with appropriate agreements, and to pay for such services either in advance or by way of reimbursement, as may be agreed upon.

DEFINITIONS

SEC. 12. As used in this Act—

(1) The term "Commissioner" means the Commissioner of Education.

(2) The term "teacher" means any member of the instructional staff of a public elementary or secondary school who is engaged in the teaching of students, as further defined by the State educational agency of each State.

(3) The term "current expenditures" means expenditures for free public education, including expenditures for administration, instruction, attendance and health services, community services, pupil transportation services, operation and maintenance of plant, fixed charges, food services and

student body activities, but not including expenditures for capital outlay, and debt service.

(4) The term "elementary school" means a day or residential school which provides elementary education, as determined under State law.

(5) The term "free public education" means education which is provided at public expense, under public supervision and direction, and without tuition charge.

(6) The term "local educational agency" means a public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or such combination of school districts or counties as are recognized in a State as an administrative agency for its public elementary or secondary schools. Such term also includes any other public institution or agency having administrative control and direction of a public elementary or secondary school.

(7) The term "salaries" means the annual monetary compensation paid to teachers for services rendered in connection with their employment.

(8) The term "secondary school" means a day or

residential school which provides secondary education, as determined under State law.

(9) The term "State" includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

(10) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision of public elementary and secondary schools, or, if there is no such officer or agency, an officer or agency designated by the Governor or by State law.

92D CONGRESS
1ST SESSION

H. R. 6179

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 1971

Mr. PUCINSKI introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To authorize assistance to local educational agencies for the financial support of elementary and secondary education, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Partnership in Education Act of 1971".

DECLARATION OF POLICY

SEC. 2. The Congress finds that, despite the great efforts of States and of local educational agencies, the opportunity for an education of high quality is being denied to many children. The Congress further finds that such denial results both from the widely varying financial abilities of States and local education agencies and from an unequal distribution of resources, both within and between States. It is therefore the policy of the United States that the Federal Government shall provide each local educational agency with resources which, when supplemented by State and local funds, will be adequate to provide an excellent elementary and secondary education for all children.

AUTHORIZATION OF APPROPRIATIONS

SEC. 3. (a) For the fiscal years 1972, 1973, and 1974, there are hereby authorized to be appropriated such sums as may be necessary to pay the amounts authorized under sections 4 and 7 (b).

(b) For the same fiscal years there is also authorized to be appropriated an amount equal to not more than 2 per centum of the amount appropriated for each such year under (a) above. The Commissioner shall allot this amount to Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective needs for such grants, and shall set the maximum amount which their local educational agencies shall be eligible to receive.

GRANTS TO LOCAL EDUCATIONAL AGENCIES

SEC. 4. (a) In any case in which the Commissioner determines that satisfactory data for that purpose are available, the maximum grant which a local educational agency in a State shall be eligible to receive under this Act for any fiscal year shall be an amount equal to the Federal grant per pupil multiplied by the adjusted number of children in the school district of such agency.

(b) In any other case the maximum grant for any local educational agency in a State shall be determined on the basis of the aggregate maximum amount of such grants for all such agencies in the county or counties in which the school district of the particular agency is located, which aggregate maximum amount shall be equal to the Federal grant per pupil multiplied by the adjusted number of children in such county or counties, and shall be allocated among these agencies upon such equitable basis as may be determined by the State educational agency in accordance with basic criteria prescribed by the Commissioner.

(c) In the case of local educational agencies which serve in whole or in part the same geographical area, and in the case of a local educational agency which provides free public education for a substantial number of children who reside in the school district of another local educational agency, the State educational agency may allocate the amount of the maximum grants for those agencies among them in such manner as it determines will best carry out the purposes of this Act.

(d) For purposes of this section, the term "State" does not include Puerto Rico, Guam, American Samoa, the Virgin Islands, or the Trust Territory of the Pacific Islands.

APPLICATIONS FROM LOCAL EDUCATIONAL AGENCIES

SEC. 5. (a) Any local educational agency which desires to receive for any fiscal year the grant to which it is entitled under section 4 must submit to the appropriate State educational agency an application which contains—

(1) an assessment of the educational needs of the children enrolled in the schools of such agency and its plans for meeting those needs with funds provided under this Act;

(2) an evaluation of the effectiveness, including objective measurements of educational achievement, of programs and projects funded in the preceding fiscal year from funds provided under this Act;

(3) such other information as the State educational agency may reasonably need to enable it to perform its duties under this Act; and

(4) assurances that—

(A) to the extent consistent with the number of children in the school district of such agency who are enrolled in private nonprofit elementary and secondary schools, such agency has made provision (after consultation with the appropriate private school officials) for a purchase of services program or, if such a program is not feasible in one or more of the private schools (as jointly determined by the public and appropriate private school officials), such other arrangements as dual enrollments which will assure adequate participation of such children;

(B) (i) the control of funds provided under this Act and title to property acquired therewith shall be in a public agency for the uses and purposes provided in this Act, and that a public agency will administer such funds and property; (ii) the funds provided under this Act shall not be commingled with State or local funds; and (iii) Federal funds made available under this Act will be so used as to supplement and, to the extent possible, increase the level of funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs and projects assisted under this Act;

(C) it will keep such records and afford such access thereto as the State educational agency may find necessary to assure the correctness and verification of such applications; and

(D) no more than 25 per centum of the funds received under this Act in any fiscal year will be used for capital outlay and debt service.

(b) The State educational agency shall not finally disapprove in whole or in part any application for funds under this Act without first affording the local educational agency submitting the application reasonable notice and opportunity for a hearing.

ASSURANCES FROM STATES

SEC. 6. (a) Any State which desires to participate under this Act shall submit through its State educational agency to the Commissioner an application, in such detail as the Commissioner deems necessary, which provides satisfactory assurances that—

(1) except as provided in section 7 (b), payments under this Act will be used only for programs and projects which have been approved by the State educational agency pursuant to section 5 (a) and which meet the applicable requirements of that section, and that such agency will in all other respects comply with the provisions of this Act, including the enforcement of any obligations imposed upon a local educational agency under section 5 (a) ; and

(2) the State educational agency will make to the Commissioner (A) periodic reports (including the results of objective measurements required by section

5(a)) evaluating the effectiveness of programs and projects assisted under this Act in improving educational attainment, and (B) such other reports as may be reasonably necessary to enable the Commissioner to perform his duties under this Act (including such reports as he may require to determine the amounts which the local educational agencies of that State are eligible to receive for any fiscal year).

(b) The Commissioner shall approve an application which meets the requirements specified in subsection (a), and he shall not finally disapprove an application except after reasonable notice and opportunity for a hearing to the State educational agency.

PAYMENTS

SEC. 7. (a) (1) The Commissioner shall, subject to the provisions of section 8, from time to time pay to each State the amount which the local educational agencies of that State are eligible to receive under this Act.

(2) From the funds paid to it pursuant to paragraph (1) each State educational agency shall distribute to each local educational agency of the State which has submitted an application approved pursuant to section 5(a) the amount for which such application has been approved, except that this amount shall not exceed the maximum amount determined for that agency pursuant to section 4.

(b) The Commissioner is authorized to pay to each State amounts equal to the amounts expended by it for the proper and efficient performance of its duties under this Act (including technical assistance for the measurements and evaluations required by section 5), except that the total of such payments in any fiscal year shall not exceed—

(1) 1 per centum of the total grants made to local educational agencies of such State within that fiscal year; or

(2) $150,000, or $25,000 in the case of Puerto Rico, Guam, American Samoa, the Virgin Islands, or the Trust Territory of the Pacific Islands, whichever is greater.

(c) No payments shall be made under this Act for any fiscal year to a State which has taken into consideration payments under this Act in determining the eligibility of any local educational agency in that State for State aid, or the amount of that aid, with respect to the free public education of children during that year or the preceding fiscal year.

ADJUSTMENTS

SEC. 8. (a) If the sums appropriated for any fiscal year for making the payments provided in this Act are not sufficient to pay in full the total amounts which all local educational agencies are eligible to receive under section 4 for such year, allocations shall be made to local educational agencies on the basis of computations, in accordance with that section, as reduced ratably. In case additional funds become available for making payments under this Act for that year, such reduced amounts shall be increased on the same basis that they were reduced.

(b) In order to permit the most effective use of all appropriations made to carry out this Act, the Commissioner may set dates by which State educational agencies must certify to him the amounts for which the applications of educational agencies have been or will be approved by the State.

WITHHOLDINGS

SEC. 9. Whenever the Commissioner, after reasonable notice and opportunity for hearing to any State educational agency, finds that there has been a failure to comply substantially with any assurance set forth in the application of that State approved under section 6, the Commissioner shall notify the agency that further payments will not be made to the State under this Act (or, in his discretion, that the State educational agency shall not make further payments under this Act to specified local educational agencies affected by the failure) until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied, no further payments shall be made to the State under this Act, or payments by the State educational agency under this Act shall be limited to local educational agencies not affected by the failure, as the case may be.

JUDICIAL REVIEW

SEC. 10. (a) If any State is dissatisfied with the Commissioner's final action with respect to the approval of its application submitted under section 6 or with his final action under section 9, such State may, within sixty days after notice of such action, file with the United States court of appeals for the circuit in which such State is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Commissioner. The Commissioner thereupon shall file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States Code.

(b) The findings of fact by the Commissioner, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall file in the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(c) Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Commissioner to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

DEFINITIONS

SEC. 11. For purposes of this Act—

(a) (1) The term "adjusted number of children" for any local educational agency or county for a fiscal year means a number equal to the sum of (i) the number of children who are aged five to seventeen, inclusive, in the school district of the agency or in the county, as the case may be, (based on the latest available data from the Department of Commerce) and (ii) the number of children who are counted for that fiscal year for purposes of section 103 (a) (2) of title I of the Elementary and Secondary Education Act for which such agency is responsible for providing free public education;

(2) The term "Federal grant per pupil" for any particular State means the product obtained by multiplying the State and local current expenditure per public school pupil by the product obtained by multiplying the national reimbursement rate by the quotient obtained by dividing the national per capita income by the State per capita income;

(3) The "national reimbursement rate" shall be 10 per centum for the fiscal year ending June 30, 1972, 20 per

centum for the fiscal year ending June 30, 1973, and 33⅓ per centum for the fiscal year ending June 30, 1974.

(b) (1) The term "Commissioner" means the Commissioner of Education;

(2) The term "current expenditures" means expenditures for free public education, including expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities, but not including expenditures for community services, capital outlay and debt service, or any expenditures made from funds granted under title I, II, or III of the Elementary and Secondary Education Act of 1965;

(3) The term "elementary school" means a day or residential school which provides elementary education, as determined under State law; and the term "secondary school" means a day or residential school which provides secondary education, as determined under State law, except that it does not include any education provided beyond grade 12;

(4) The term "local educational agency" means a public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township,

school district, or other political subdivision of a State, or such combination of school districts or counties as are recognized in a State as an administrative agency for its public elementary or secondary schools. Such term also includes any other public institution or agency having administrative control and direction of public elementary or secondary schools;

(5) The term "nonprofit" as applied to a school means a school owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual;

(6) The term "per capita income" means the per capita personal income of a State and the United States determined by the Commissioner on the basis of data for the fiscal year preceding the fiscal year for which the computation is made available from the Department of Commerce;

(7) The term "State" means the fifty States, the District of Columbia, Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands; and

(8) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision of public elementary and secondary schools.

GENERAL PROVISIONS

SEC. 12. (a) Section 422 of the General Education Provisions Act is amended by inserting "the National Partnership in Education Act;" after "the International Education Act of 1966;".

(b) The prohibition contained in section 302 (d) of Public Law 81-874 shall not apply to programs and projects conducted under this Act.

STUDY OF DATA

SEC. 13. The Secretary of Health, Education, and Welfare shall conduct a study of the needs for accurate income and population data for every local educational agency and alternative methods for obtaining such data. This study and his recommendations shall be included in the study of allocation of funds required under section 102 of the Elementary and Secondary Education Amendments of 1969 (Public Law 91-230).

92d CONGRESS
1st Session

H. R. 6521

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 1971

Mr. DOW introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To encourage States to increase the proportion of the expenditures in the State for public education which are derived from State rather than local revenue sources.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Elementary and Secondary Education Act of 1965 is amended by inserting after title V the following new title VI:

"TITLE VI—STATE ASSISTANCE

"PART A—DIRECT ASSISTANCE

"ELIGIBILITY FOR DIRECT ASSISTANCE

"SEC. 601. A State shall be eligible for direct assistance under this part for a fiscal year if the State educational agency applies therefore and the Commissioner (on the basis of information provided by such agency) determines that under applicable statutory or constitutional provisions, or in practice, at least 50 per centum of the financial support for elementary and secondary education in such State is provided from State revenues. In making his determinations required by this section, the Commissioner shall disregard payments from Federal sources.

"AMOUNT OF DIRECT ASSISTANCE

"SEC. 602. (a) The amount of direct financial assistance to be paid to a State which is eligible therefor under section 601 shall be equal to the amount the Commissioner determines a State and its political subdivisions (including local educational agencies) would receive under the provisions of law listed in subsection (c) for that year but for the decision of the State educational agency to obtain direct financial assistance under this part.

"(b) No payments shall be made under any of the provisions of law listed in subsection (c) to a State or its political subdivisions (including local educational agencies) for any year for which such State receives direct assistance under this part.

"(c) The provisions of law referred to in subsections (a) and (b) are the following:

"(1) Title I of the Elementary and Secondary Education Act of 1965.

"(2) Titles II, III, V, and VII of the Elementary and Secondary Education Act of 1965.

"(3) Titles III, V, and VI of the National Defense Education Act of 1958.

"(4) The Vocational Education Act of 1963.

"(5) The Vocational Education Act of 1946.

"(6) The Adult Education Act.

"(7) The Education of the Handicapped Act.

"USES OF DIRECT ASSISTANCE

"SEC. 603. (a) Funds granted a State under this part shall be used for support of elementary and secondary education in that State without regard to the purposes for which funds could be used under the provisions of law listed in section 602(c).

"(b) As a condition to the receipt of funds under this part, the Commissioner may require the adoption of such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the State (including any such funds paid by the State to any other public agency under this part)."

"PART B—GRANTS FOR INCREASING STATE SUPPORT FOR ELEMENTARY AND SECONDARY EDUCATION

"ELIGIBILITY FOR GRANTS

"SEC. 611. A State shall be eligible for a grant under this part for any fiscal year if the State education agency applies therefor and the Commissioner (on the basis of information provided by such agency) determines (1) that the State has increased the percentage of its expenditures for elementary and secondary education which are derived from State rather than local revenue sources during the preceding fiscal year over such percentage for the second preceding fiscal year, and (2) the average per pupil expenditure in the State (as defined in section 103(e) of title I of this Act) for such year is not less than such expenditure for the preceding fiscal year.

"AMOUNT OF GRANT

"SEC. 612. (a) Subject to the provisions of subsection (b) and section 614, grants under this part shall be determined as follows: Where the State school expenditures of a State in the preceding fiscal year exceed such expenditures for the second preceding fiscal year, the grant to the State under this part shall be equal to 50 per centum of such excess, except that such excess shall be (1) reduced by the amount by which local school expenditures of the State in the preceding fiscal year exceed such expenditures for the second preceding fiscal year, or (2) increased by the amount by which such expenditures for the preceding fiscal year are less than such expenditures for the second preceding fiscal year, as the case may be. If both the State and the local school expenditures of a State in the preceding fiscal year are less than such expenditures in the second preceding fiscal year, and the reduction in the local school expenditures exceeds the reduction in State school expenditures, then the grant to the State under this part shall be equal to 50 per centum of the difference between the reduction in local school expenditures and the reduction in State school expenditures.

"(b) The grant to a State for a fiscal year shall not exceed $100 times the enrollment in elementary and secondary schools in the State in the preceding fiscal year.

"(c) For purposes of this section, 'State school expenditures' means expenditures for public elementary and secondary education in the State from funds derived from State revenue sources, and 'local school expenditures' means expenditures for public elementary and secondary education in the State from funds derived from local revenue sources.

"USES OF GRANTS

"SEC. 613. Funds granted a State under this part shall be used only for support of elementary and secondary education in that State. As a condition to the receipt of funds under this part the Commissioner may require the adoption of such fiscal control for the accounting procedures as may be necessary to assure proper disbursement of, and accounting for, funds paid to the State (including any such funds paid by the State to any other public agency under this part).

"ADJUSTMENTS ON ACCOUNT OF APPROPRIATIONS

"SEC. 614. In the event the funds appropriated to carry out this part for a fiscal year are insufficient to make in full the grants to which the States are entitled, the grant to each of the States eligible for a grant shall be reduced pro rata."

92d CONGRESS
1st Session

H. R. 7796

IN THE HOUSE OF REPRESENTATIVES

April 27, 1971

Mr. Quie (for himself, Mr. Erlenborn, Mr. Esch, Mr. Eshleman, Mr. Steiger of Wisconsin, Mr. Hansen of Idaho, Mr. Forsythe, Mr. Veysey, and Mr. Kemp) introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To strengthen education by providing a share of the revenues of the United States to the States and to local educational agencies for the purpose of assisting them in carrying out education programs reflecting areas of national concern.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Education Revenue Sharing Act of 1971".

FINDINGS AND PURPOSE

Sec. 2. (a) The Congress hereby finds that, while public education is primarily the responsibility of the States and local communities of this country, the Federal Government has a responsibility to assist them in meeting the costs of education in areas of special national concern. The Congress finds, however, that prior programs of Federal financial assistance for elementary or secondary education are too narrow in scope to meet the needs of State and local school systems.

(b) It is therefore the purpose of this Act to replace certain current programs of Federal assistance to elementary or secondary education by a system of Federal revenue sharing for education designed to meet such needs, to encourage innovation and development of new educational programs and practices, to provide for educationally disadvantaged children an education comparable to that available to their classmates, to provide the special educational services needed by the physically and mentally handicapped, to encourage greater attention to the vital field of vocational and career education, to assure to children whose parents live or work on Federal property an education comparable to that given to other children, and to provide State and local educational officials with the flexibility and responsibility they need to make meaningful decisions in response to the needs of their students.

AUTHORIZATION OF APPROPRIATIONS AND PLANNING PAYMENTS

SEC. 3. (a) For the fiscal year ending June 30, 1973, and for each fiscal year thereafter, there are authorized to be appropriated, to be available without fiscal year limitation, such sums as may be necessary for carrying out this Act.

(b) There are also authorized to be appropriated such sums as may be necessary to enable the Secretary to make, during the period beginning January 1, 1972, and ending with the close of June 30, 1972, payments to States to assist them in planning for the transition from the system of categorical grants authorized by the statutes and parts thereof repealed by section 21 to the system of revenue sharing for education authorized by this Act. Such payments shall be made on such terms and conditions as the Secretary specifies for the purpose of carrying out this subsection.

ALLOTMENT AND USE OF SHARED REVENUES

SEC. 4. (a) From the sums appropriated pursuant to section 3 (a) for any fiscal year and not reserved pursuant to section 14, the Secretary shall allot to each State an amount equal to 60 per centum of the average per pupil expenditure in the United States multiplied by the number of children in average daily attendance in the public elementary or secondary schools of such State during such year who resided on Federal property, which amount shall be available for any educational purpose.

(b) From the remainder of such sums, the Secretary shall allot to each State an amount which bears the same ratio to such remainder as the sum of the products determined under paragraphs (1) through (3) of this subsection with respect to such State bears to the total of the sums of such products with respect to all States. Such products for any State shall be—

(1) 1.0 multiplied by the number of children aged 5 to 17, inclusive, in such State who are in low-income families;

(2) 0.6 multiplied by the number of children in average daily attendance in the public elementary or secondary schools of such State during such fiscal year who (A) resided on other than Federal property with a parent employed on Federal property, or (B) had a parent on active duty in the uniformed services (as defined in section 101 of title 37, United States Code); and

(3) 0.1 multiplied by the number of children aged five to seventeen, inclusive, in the State.

(c) (1) That portion of each State's allotment derived from application of the provisions of paragraph (1) of subsection (b) shall be available only for programs and projects designed to meet the special educational needs, at the preschool or any other educational level, of educationally disadvantaged children—

(A) who reside in school attendance areas having high concentrations of low-income families;

(B) who are migratory children of migratory agricultural workers; or

(C) who are neglected or delinquent children for whose education the State, rather than a local educational agency, is directly responsible.

(2) That portion of each State's allotment derived from application of the provisions of paragraph (2) of subsection (b) shall be available for any educational activity.

(3) Except as provided in section 6—

(A) one-sixth of that portion of each State's allotment derived from application of the provisions of paragraph (3) of subsection (b) shall be available only for programs and projects at the preschool or any other educational level designed to meet the special educational needs of handicapped children, including handicapped children for whose education the State, rather than a local educational agency, is directly responsible,

(B) one-third of that portion of each State's allotment derived from application of the provisions of paragraph (3) of subsection (b) shall be available only for vocational education activities; and

(C) one-half of that portion of each State's allotment derived from application of the provisions of paragraph (3) of subsection (b) shall be available only for supporting materials and services.

(d) Programs, projects, or activities assisted under this Act may include construction.

(e) In the event that any State is not eligible to receive funds under this Act for any fiscal year, or notifies the Secretary that it does not desire to receive such funds, the allotment of such State for such fiscal year derived from any provision of subsection (b) shall be available for reallotment from time to time, on such date or dates during such year as the Secretary may fix, to other States in proportion to the original amount of the allotment to such other States which was derived from any such provision for that year. Any amount for a fiscal year so reallotted to a State under this subsection shall be deemed part of its allotment derived from the same provision of subsection (b) for such year.

(f) The amounts appropriated and allocated pursuant to this Act shall be paid to the States at such intervals and in such installments as the Secretary may determine, taking account of the objective that the time elapsing between the transfer of funds from the United States Treasury and the disbursement thereof by States shall be minimized.

(g) For purposes of this Act, the Secretary shall determine average daily attendance, average per pupil expenditure, and numbers of children, and in doing so he shall use the most recent satisfactory data available to him, referrable with respect to data used for each purpose to the same time period for all jurisdictions. All determinations and computations by the Secretary under this section shall be final and conclusive.

DISTRIBUTION OF SHARED REVENUES WITHIN EACH STATE

SEC. 5. (a) Each State shall pay to each of its local educational agencies for a fiscal year an amount equal to the sum allotted to such State pursuant to section 4 (a) for such year on account of the number of children in average daily attendance who resided on Federal property in the school district of such agency.

(b) (1) Except for any sums retained, from the amount allotted to it for any fiscal year by application of the provisions of section 4 (b) (1), by a State for meeting, in accordance with the provisions of section (4c) (1), the special educational needs of neglected or delinquent children described in section 4 (c) (1) (C), such State shall also pay to each of its local educational agencies for a fiscal year an amount equal to the sum allotted to it pursuant to section 4 (b) for such year on account of the number of children in the school district of such agency who are in low-income families, but only if (A) such amount is at least $10,000, and (B) the services provided in each of the schools of such agency with funds other than funds received under this Act have been determined, by the State agency (designated pursuant to section 8 (a)) in accordance with such criteria as the Secretary may prescribe, to be comparable with the services so provided in all of the other schools of such local educational agency.

(2) Any portion of an allotment which is not, but would be except for clause (A) or (B) of paragraph (1), paid to a local educational agency shall be paid by such State, in accordance with its plan developed under section 8 (b), to other local educational agencies within such State to which funds are required to be paid under paragraph (1) for use in accordance with the provisions of section 4 (c) (1), except that no such other agency shall be paid more for any fiscal year pursuant to this subsection than 200 per centum of the amount required to be paid to it under paragraph (1) for such year.

(3) If no local educational agency within such State which would otherwise be paid funds under this subsection has been so determined, by such State agency, to provide such comparable services, the amount allotted to such State by application of the provisions of section 4 (b) (1) shall be reallotted to other States in proportion to the amounts originally alloted to such other States by application of such provision. Any portion of an allotment which is not, but would be except for paragraph (2), paid to local educational agencies within a State, shall be reallotted to other

States in proportion to the amounts originally allotted to such other States by application of the provisions of section 4 (b) (1). No State shall be reallotted for any fiscal year pursuant to this subsection more than 200 per centum of the amount originally allotted to such State for such year by application of the provisions of section 4 (b). Any amount reallotted to a State pursuant to this subsection for any fiscal year shall be deemed to be part of its allotment for such fiscal year derived from application of the provisions of section 4 (b) (1).

(c) The remainder of each State's allotment shall be available—

(1) for use, in accordance with the provisions of sections 4 and 6 and the plan developed pursuant to section 8 (b), by the State agency designated pursuant to section 8 (a), including use by such agency for meeting the special educational needs of handicapped children for whose education such agency, or any other State agency within such State, rather than a local educational agency, is directly responsible; and

(2) for distribution, for use by them in accordance with the provisions of sections 4 and 6 and such plan, among the local educational agencies of such State on a basis reflecting the relative needs of each of such agencies

for the types of assistance for which appropriations under this Act are available;

except that not more than 30 per centum of such allotment derived from application of the provisions of section 4 (b) (2), relating to the presence within the State of children with a parent employed on Federal property or with a parent on active duty in the uniformed services, may be paid to local educational agencies not having any of such children in average daily attendance in their schools; and except that in determining the relative needs of each of such agencies for the types of assistance for which appropriations under this Act are available, funds paid to such agencies under subsection (b) of this section shall not be taken into account.

TRANSFERS AMONG PURPOSES

SEC. 6. (a) Thirty per centum of that portion of each State's allotment which is available for the purposes described in clause (A), (B), or (C) of section 4 (c) (3) may be made available for any of the other purposes described in section 4 (c).

(b) The 30 per centum limitations in subsection (a) may be exceeded if the State demonstrates to the satisfaction of the Secretary that such action will achieve more effectively the purposes of this Act.

PARTICIPATION OF NONPUBLIC SCHOOL CHILDREN

SEC. 7. (a) The State agency designated pursuant to section 8 (a) shall provide that—

(1) except as provided in subsection (b), children enrolled in nonprofit private elementary or secondary schools will be given an opportunity to participate, on an equitable basis, in activities for which funds are made available under paragraph (1), or clause (A), (B), or (C) of paragraph (3), of section 4 (c); and

(2) title to and control of funds received under this Act and other property derived therefrom will remain in one or more public agencies.

(b) If the Secretary determines that provisions of State law prevent any State agency designated pursuant to section 8 (a) from complying with subsection (a), the Secretary shall, if he finds that the State is otherwise eligible to participate in the program under this Act, permit such State to participate, but in such case he shall—

(1) arrange, by contract or otherwise, for children enrolled in the nonprofit private elementary or secondary schools within such State to receive, on an equitable basis, services similar to those provided from the funds made available under paragraph (1) or clause (A), (B), or (C) of paragraph (3) of section 4 (c) to public school children within such State; and

(2) pay the cost thereof out of that portion of the allotment to such State for carrying out each such paragraph or clause.

STATE ADMINISTRATION

SEC. 8. (a) The chief executive officer of each State which desires to participate in the program under this Act shall designate a State agency which shall be the single State agency for administration (or supervision of the administration) of such program in such State, except that this requirement may be waived in accordance with the provisions of section 204 of the Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4214).

(b) The State agency designated pursuant to subsection (a) shall, for each fiscal year, develop and publish a plan for the distribution of funds available therefor under paragraph (2) of section 5(b) and under section 5(c), and for the expenditure of funds retained under paragraph (1) of section 5(b) and under section 5(c) (1) for use by such State agency or distributed under section 5(c) (2) for use by local educational agencies. Such plan shall be developed after consultation with the advisory council appointed pursuant to section 9, shall not finally be adopted by such State agency until a reasonable opportunity has been given to interested persons for comment thereon, and shall be made available to the Secretary.

(c) In administering the program under this Act, the State shall comply with the provisions of this Act and with regulations prescribed by the Secretary pursuant thereto.

STATE ADVISORY COUNCIL

SEC. 9. (a) The chief executive officer of each State which desires to participate in the program under this Act shall appoint an advisory council which shall be broadly representative of the education community in the State and of the public, including at least one person representative of the public elementary or secondary schools of the State; at least one person representative of the nonprofit private elementary or secondary schools of the State; at least one person representative of each of the various populations in the State which will be affected by the activities authorized under section 4; at least one person who has special competence in the planning and evaluation of education programs, and in the assessment of the effectiveness of activities authorized under section 4; and at least one person who has special competence in each of the educational areas described in section 4 (c) (1), 4 (c) (3) (A), and 4 (c) (3) (B).

(b) The State advisory council shall—

(1) advise the State agency designated pursuant to section 8 (a) on the preparation of, and on matters of general policy arising in the administration of, the plan developed under section 8 (b);

(2) evaluate activities assisted under this Act;

(3) advise State or local officials who have respon-

sibility for carrying out activities assisted under this Act with respect to the planning, evaluation, administration, and assessment of such activities; and

(4) prepare and submit to the Secretary not less often than annually a report of its activities, recommendations, and evaluations, together with such comments thereon as the State agency designated pursuant to section 8(a) and the chief executive officer of the State deem appropriate.

TREATMENT OF FEDERALLY CONNECTED CHILDREN

SEC. 10. The State agency designated pursuant to section 8(a) shall provide that children attending school within the State who reside with a parent on Federal property, who reside with a parent employed on Federal property or have a parent who is a member of the uniformed services, will receive public elementary or secondary education on a basis comparable to that provided to other children in the State.

SPECIAL PAYMENTS BY THE SECRETARY

SEC. 11. (a) From the sums appropriated for any fiscal year pursuant to section 3(a), the Secretary may reserve not in excess of 10 per centum for use under this section.

(b) Funds reserved under subsection (a) shall be available to the Secretary for making payments to any State to assist it in carrying out activities described in section 4 which are designed to further the achievement of national policy objectives in the field of education.

RECOVERY OF FUNDS

SEC. 12. (a) If the Secretary determines that a State has failed to comply substantially with the provisions of this Act, he shall—

(1) refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted; or

(2) after reasonable notice and opportunity for hearing to the State agency designated pursuant to section 8 (a), notify the State that if corrective action is not taken within sixty days from the date of such notification, revenues shared with it will be reduced in the same or succeeding fiscal year by an amount equal to the amount of funds which were not expended in accordance with the provisions of this Act; or

(3) take such other action as may be provided by law.

(b) When a matter is referred to the Attorney General pursuant to subsection (a) (1) of this section, the Attorney General may bring civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

(c) (1) Any State which receives notice, under subsection (a) (2), of reduction of revenues shared may, within sixty days after receiving such notice, file with the United States court of appeals for the circuit in which such State is located, or in the United States Court of Appeals for the District of Columbia, a petition for review of the Secretary's action. The petitioner shall forthwith transmit copies of the petition to the Secretary and the Attorney General of the United States, who shall represent the Secretary in litigation.

(2) The Secretary shall file in the court the record of the proceeding on which he based his action, as provided in section 2112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

(3) The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence on the record considered as a whole, shall be conclusive. The court may order additional evidence to be taken by the Secretary, and to be made part of the record. The Secretary may modify his findings of fact, or make new findings, by reason of the new evidence so taken and filed with the court, and he shall also file such modified or new findings, which findings

with respect to questions of fact shall be conclusive if supported by substantial evidence on the record considered as a whole, and shall also file his recommendations, if any, for the modification or setting aside of his original action.

(4) Upon the filing of the record with the court, the jurisdiction of the court shall be exclusive and its judgment shall be final, except that the same shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in section 1254 of title 28, United States Code.

CIVIL RIGHTS

SEC. 13. Revenues shared under this Act shall be considered as Federal financial assistance within the meaning of title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d).

ADVANCE FUNDING

SEC. 14. To the end of affording the responsible State, local, and Federal officers concerned adequate notice of available Federal financial assistance under this Act, appropriations for carrying out this Act are authorized to be included in the appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation. In order to effect a transition to this method of timing appropriation action, the preceding sentence shall apply notwithstanding that its initial application will result in the enactment in the same year (whether in the same appropriation Act or otherwise) of appropriations for each of two consecutive fiscal years.

LABOR STANDARDS

SEC. 15. All laborers and mechanics employed by contractors or subcontractors in any construction which is Federally assisted, which shall include revenues shared, under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a–276a–5). The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 4 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

ANNUAL REPORT

SEC. 16. The Secretary shall make an annual report to the President and the Congress pertaining to the effectiveness of assistance under this Act in meeting the educational needs of children and adults.

AVAILABILITY OF SHARED REVENUES FOR PAYING NON-FEDERAL SHARE UNDER OTHER PROGRAMS

SEC. 17. Payments made pursuant to this Act shall be available, subject to the provisions of this Act, for paying the non-Federal share of expenditures under other Federal programs.

RECORDS, AUDITS, AND REPORTS

SEC. 18. (a) All revenues shared with States under this Act shall be property accounted for as Federal funds in the accounts of such recipients.

(b) In order to assure that revenues shared under this Act are used in accordance with its provisions, each State shall—

(1) use such fiscal and accounting procedures as may be necessary to assure (A) proper accounting for payments received by it, and (B) proper disbursement of such amounts;

(2) provide to the Secretary, on reasonable notice, access to, and the right to examine any books, documents, papers, or records as he may reasonably require; and

(3) make such reports to the Secretary as he may reasonably require.

INTERSTATE AGREEMENTS

SEC. 19. In the event that cooperation or agreements between States is necessary in order to realize the full benefit of provisions of this Act, the consent of Congress is hereby given to such States to enter into such agreements.

DEFINITIONS

SEC. 20. For purposes of this Act—

(1) The term "adult education" means services or

instruction below the college level for individuals (A) who have attained the age of 16, (B) who do not have a certificate of graduation from a school providing secondary education and who have not achieved an equivalent level of education, (C) who are not currently required to be enrolled in schools.

(2) The term "average per pupil expenditure in the United States" means the aggregate current expenditures of all local educational agencies in the United States for any fiscal year, plus any direct current expenditures by the States in which such agencies are located for the operation of such agencies during such year (without regard to the sources of funds from which either of such expenditures is made), divided by the aggregate number of children in average daily attendance to whom such agencies provided public education during such year.

(3) The term "construction" means the erection, acquisition, alteration, remodeling, or improvement of facilities, including the acquisition of land necessary therefor, and the cost of construction includes the cost of architect's fees.

(4) The term "current expenditures" means expenditures for public education, but not including expenditures for community services, capital outlay, and debt services, or any expenditures made from funds allotted under this Act.

(5) The term "elementary school" means a day or

residential school which provides elementary education, as determined under State law.

(6) The term "Federal property" means real property which is owned by the United States or is leased by the United States, and which is not subject to taxation by any State or any political subdivision of a State or by the District of Columbia. Such term includes (A) real property held in trust by the United States for individual Indians or Indian tribes, and real property held by individual Indians or tribes which is subject to restrictions on alienation imposed by the United States, (B) for one year beyond the end of the fiscal year in which occurred the sale or transfer thereof by the United States, any property considered prior to such sale or transfer to be Federal property for the purposes of this Act, and (C) any school which is providing flight training to members of the Air Force under contractual arrangements with the Department of the Air Force at an airport which is owned by a State or political subdivision of a State. Such term also includes any interest in Federal property (as defined in the foregoing provisions of this paragraph) under an easement, lease, license, permit, or other arrangement, as well as any improvements of any nature (other than pipelines or utility lines) on such property even though such interests or improvements are subject to taxation by a State or political subdivision of a State or

by the District of Columbia. Notwithstanding the foregoing provisions of this paragraph, such term does not include (D) any real property used for a labor supply center, labor home, or labor camp for migratory farmworkers, (E) any real property under the jurisdiction of the Post Office Department and used primarily for the provision of postal services, or (F) any low-rent housing project held under title II of the National Industrial Recovery Act, the Emergency Relief Appropriation Act of 1935, the United States Housing Act of 1937, the Act of June 28, 1940 (Public Law 871 of the Seventy-sixth Congress), or any law amendatory of or supplementary to any of such Acts.

(7) The term "handicapped children" means mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, crippled, or other health impaired children who by reason thereof require special educational services.

(8) The term "local educational agency" means a public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or such combination of school districts or counties as are recognized in a State as an administrative agency for its

public elementary or secondary schools. Such term also includes any other public institution or agency having administrative control and direction of a public elementary or secondary school.

(9) The term "low-income families" shall be defined by the Secretary in accordance with such criteria as he may prescribe, which criteria shall take into account migratory children of migratory agricultural workers, neglected or delinquent children, and such matters as family size and urban-rural differences.

(10) The term "nonprofit", as applied to a school, means a school owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(11) The term "revenues shared" means payments under this Act.

(12) The term "secondary school" means a day or residential school which provides secondary education, as determined under State law, except that it does not include any education provided beyond grade 12.

(13) The term "Secretary" means the Secretary of Health, Education, and Welfare.

(14) The term "State" includes, in addition to the several States, the Commonwealth of Puerto Rico, the Dis-

trict of Columbia, Guam, and the Virgin Islands.

(15) The term "supporting materials and services" means such materials and services as the purchase of school textbooks, library resources, and educational equipment; the provision of supplementary educational centers and services, of school pupil personnel services, of adult education, and of school meals; the training or retraining of teachers, teacher aides, and other school personnel; the strengthening of State or local educational agency capabilities and of educational planning at the State or local level; the support of the advisory council appointed under section 9; and the administration at the State level of the program carried out under this Act.

(16) The term "vocational education" includes vocational or technical training or retraining (including field or laboratory work and remedial or related academic and technical instruction incident thereto and work-study programs for students who need the earnings from work in order to commence or continue their education) conducted as part of a program designed to prepare individuals for gainful employment as semiskilled or skilled workers or technicians or subprofessionals in recognized occupations and in new and emerging occupations or to prepare individuals for enrollment in advanced technical programs, but excluding any program to prepare individuals for employment in occupa-

tions generally considered professional or which require a baccalaureate or higher degree; and such term also includes vocational guidance and counseling in connection with such training or for the purpose of facilitating occupational choices; instruction related to the occupation or occupations for which the students are in training or instruction necessary for students to benefit from such training; job placement; and the training of persons engaged as, or preparing to become, teachers in a vocational education program or teachers, supervisors, or directors of such teachers.

REPEAL OF PROGRAMS REPLACED BY THIS ACT

SEC. 21. (a) Effective with respect to appropriations for fiscal years beginning after June 30, 1972, the following statutes and parts of statutes are repealed:

(1) title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 251a–241l);

(2) title II of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 821–827);

(3) title III of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 841–848);

(4) title V of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 861–870);

(5) part B of the Education of the Handicapped Act (20 U.S.C. 871–877);

(6) the Smith-Hughes Act (20 U.S.C. 11–15, 16–28);

(7) sections 3 and 4 of Public Law 81-874 (20 U.S.C. 238-239);

(8) title III of the National Defense Education Act of 1958 (20 U.S.C. 441-455);

(9) subpart 2 of part B of title V of the Higher Education Act of 1965 (20 U.S.C. 1108-1110c); and

(10) the Vocational Education Act of 1963 (20 U.S.C. 1241-1391).

(b) Effective with respect to appropriations for fiscal years beginning after June 30, 1972, the Adult Education Act is amended by—

(1) striking out "reserved in section 304(a) for the purposes of this section" in section 309(a) and inserting in lieu thereof "appropriated pursuant to section 312(a)"; and

(2) striking out sections 304, 305, 306, 307, 308, and 310, and subsection (b) of section 312.

(c) Public Law 81-815 (20 U.S.C. 631-647) is amended by inserting "(a)" immediately after "SECTION 1." and by adding at the end of such section the following:

"(b) Notwithstanding any other provision of this Act, appropriations under this Act for fiscal years beginning after June 30, 1972, shall be available only for carrying out the provisions of sections 9, 10, 14, and 16.".

(d) Effective with respect to appropriations for fiscal years beginning after June 30, 1972, the Child Nutrition Act of 1966 (42 U.S.C. 1771–1785) is amended by—

(1) striking out sections 5 and 7;

(2) striking out "through 7" in section 6 and inserting "and 4" in lieu thereof;

(3) striking out "through 5" in section 11 and inserting "and 4" in lieu thereof; and

(4) striking out "section 4" in section 4(b) and inserting "section 11" in lieu thereof.

(e) Effective with respect to appropriations for fiscal years beginning after June 30, 1972, the National School Lunch Act (42 U.S.C. 1751–1761) is amended by—

(1) striking out sections 4, 5, 7, 8, and 10;

(2) (A) striking out "the amount apportioned by him pursuant to sections 4 and 5 of this Act and" in paragraph (2) of section 6 and (B) by striking out in such paragraph "sections 4, 5, and 7" and inserting in lieu thereof "section 4";

(3) striking out "section 10" in the last sentence of section 9 and inserting "section 11" in lieu thereof;

(4) striking out subsection (d) of section 11 and inserting in lieu thereof the following: "(d) The Secretary shall certify to the Secretary of the Treasury from time to time the amounts to be paid to any State under this section and the time or times such amounts are

to be paid; and the Secretary of the Treasury shall pay to the State at the time or times fixed by the Secretary the amounts so certified."

(5) striking out in paragraph (g) of section 11 ", including those applicable to funds apportioned or paid pursuant to section 4 or 5 but excluding the provisions of section 7 relating to matching,";

(6) striking out in section 11 (h) (1) "to extend the school lunch program under this Act to every school within the State, and (C)"; and

(7) striking out paragraphs (4), (5), and (6) of section 12 (d) and renumbering paragraph (7) as paragraph (4).

92d CONGRESS
1st Session

H. R. 12367

IN THE HOUSE OF REPRESENTATIVES

December 16, 1971

Mr. William D. Ford (for himself, Mr. Dingell, Mrs. Griffiths, Mr. Nedzi, and Mr. O'Hara) introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To assist local educational agencies to provide quality education programs in elementary and secondary schools.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Quality School Assistance Act of 1972".

PURPOSE

Sec. 2. It is the purpose of this Act to furnish financial assistance to local educational agencies to assure that their resources when supplemented by this Federal assistance, will be adequate to provide an excellent elementary and secondary education for all children.

AUTHORIZATION OF PROGRAM AND APPROPRIATIONS

SEC. 3. (a) The Secretary shall carry out a program during the fiscal year 1973, and each of the four succeeding fiscal years, for making grants to States and to local educational agencies as provided in section 4, and shall carry out a program during the fiscal year 1973 and the fiscal year 1974 for making grants to local educational agencies for the purposes of section 5.

(b) For the fiscal year 1973 and the succeeding four fiscal years there is authorized to be appropriated such amount as may be necessary to carry out section 5 of this Act.

(c) There is authorized to be appropriated for the fiscal year 1973 and the fiscal year 1974, such amount as may be necessary to make the grants provided for in section 5 of this Act.

QUALITY ASSISTANCE

SEC. 4. (a) (1) From the amount appropriated under section 3 (b) for the fiscal year 1973, the Secretary shall allot to each local educational agency in a State for making grants under this section an amount equal to the aggregate of—

(A) 20 per centum of the product obtained by multiplying the estimated number of children who will be in the membership of elementary and secondary schools in the school district of such agency at the beginning of the school year ending during such fiscal year by the average current expenditure per public school child for the State or for all of the States, whichever is the higher, and

(B) an amount which bears the same ratio to one-third of the amount determined for all local educational agencies in the States under clause (A), as the number of children to be counted for purposes of this clause as determined under paragraph (4) bears to the number of children so counted for all local educational agencies in the States.

(2) From any amount appropriated under section 3 (b) for the fiscal year 1972 and each of the four succeeding fiscal years, the Secretary shall make an allotment to each local educational agency in a State in the same manner as is provided in paragraph (1), except that the percentage factor to be applied in making determinations under clause (A) of such paragraph shall be 25 per centum for the fiscal year 1974, 30 per centum for the fiscal year 1975, and 35 per centum for the fiscal year 1976 and the fiscal year 1977.

(3) An amount equal to not more than 2 per centum of the amount allotted under paragraph (1) shall be allotted to Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands

from the amount so appropriated according to their respective needs for assistance under this section, and the Secretary shall set the maximum amount which their local educational agencies shall be eligible to receive.

(4) The number of children to be counted for purposes of subparagraph (B) of paragraph (1) shall be determined as follows: If the Secretary determines that satisfactory data for that purpose are available, such number shall be the number of children who are aged 5–17, inclusive, in the school district of such agency (based on the latest available data from the Department of Commerce) who are in families having an annual income of less than $3,000, or in families receiving an annual income in excess of $3,000 from payments under the program of Aid to Families with Dependent Children under a State plan approved under title IV of the Social Security Act. In any other case, such number shall be the number of children of such ages in such county or counties in which the school district of the particular agency is located who are described in the preceding sentence, and shall be allocated among those agencies upon such equitable basis as may be determined by the Secretary. In the case of local educational agencies which serve in all or in part the same geographical area, and in the case of a local educational agency which provides free public education for a substantial number of children who reside in the school district of another

local educational agency, the Secretary may allocate the number of children among such agencies in such manner as he determines will best carry out the purposes of this section.

(5) For purposes of this subsection and subsection (b) the term "State" does not include Puerto Rico, Guam, American Samoa, the Virgin Islands, or the Trust Territory of the Pacific Islands.

(b) Any local educational agency in a State which desires to receive for any fiscal year a grant under this section shall submit to the appropriate State educational agency an application which contains—

(1) (A) an analysis of the facilities, curriculum, equipment, teacher preparation, and other related matters of the elementary and secondary schools in the school district of the local educational agency. (B) An assessment of the educational attainment of elementary and secondary school pupils in basic educational subject areas. (C) An analysis of the number of those students who proceed to postsecondary education, those who after completion leave the elementary and secondary education system and find substantial employment, and those who leave school before completion of elementary or secondary education. (D) An analysis of the need for adult education programs. (E) The need for special in-

service, teacher-training programs. (F) A detailed description of the proposed use of funds granted under this section with assurance such use of the funds will best enable the local educational agency to meet the educational needs of children and adults in the school district as reflected by the analysis and assessment of the educational needs of such children and adults evidenced in the matters submitted in clauses (A), (B), (C), (D), and (E) above.

(2) an evaluation of the effectiveness, including objective measurements of educational achievement, of programs and projects funded in the preceding fiscal year from funds provided under this section;

(3) such other information as the State educational agency may reasonably need to enable it to perform its duties under this section; and

(4) assurances that—

(A) (i) to the extent consistent with the number of children in the school district of such agency who are enrolled in private nonprofit elementary and secondary schools, such agency, after consultation with the appropriate private school officials, will provide for the benefit of such children in such schools secular, neutral, or nonideological services, materials, and equipment including such facilities as necessary for their provision, consistent with subparagraph (B) of this section, or, if such are not feasible or necessary in one or more of such private schools as determined by the local educational agency after consultation with the appropriate private school officials, such other arrangements, as dual enrollments, which will assure adequate participation of such children, and (ii) from the funds received by such agency under the provisions of section 4 (a) (1), such agency will expend for the purposes of fulfilling the requirements of this paragraph, an amount which bears the same ratio to the total amount received under section 4 (a) (1) as the number of children enrolled in private nonprofit schools who are counted for purposes of section (4) (a) (1) (A) and (B) bears to the total number of such children enrolled in elementary and secondary schools in the school district of such agency;

(B) (i) the control of funds provided under this section and title to property acquired therewith shall be in a public agency for the uses and purposes provided in this section, and that a public agency will administer such funds and property; (ii) the provision of services pursuant to subparagraph (A) shall be provided by employees of such public agency or through contract by such public agency with a person, an association, agency, or corporation who or which in the provision of such services, is independent of such private school and any religious organization, and such employment or contract shall be under the control and supervision of such public agency; (iii) the funds provided under this section shall not be commingled with State or local funds; and (iv) Federal funds made available under this section will be so used as to supplement and, to the extent possible, increase the level of funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs and projects assisted under this section;

(C) it will keep such records and afford such access thereto as the State educational agency may find necessary to assure the correctness and verification of such applications; and

(D) no more than 10 per centum of the funds received under this section in any fiscal year will be used for capital outlay and debt service.

(c) The State educational agency shall not finally disapprove in whole or in part any application for funds under this section without first affording the local educational agency submitting the application reasonable notice and opportunity for a hearing.

(d) Any State which desires to participate under this section or section 5 shall submit through its State educational agency to the Secretary an application, in such detail as the Secretary deems necessary, which provides satisfactory assurances that—

(1) except as provided in subsection (e) (2), payments under this section will be used only for programs and projects which have been approved by the State educational agency pursuant to subsection (c) and which meet the applicable requirements of that subsection, and that such agency will in all other respects comply with the provisions of this section, including the enforcement of any obligations imposed upon a local educational agency under subsection (d) ; and

(2) the State educational agency will make to the Secretary (A) periodic reports (including the results of objective measurements required by subsection (d) evaluating the effectiveness of programs and projects assisted under this section in improving educational attainment, and (B) such other reports as may be reasonably necessary to enable the Secretary to

perform his duties under this section (including such reports as he may require to determine the amounts which the local educational agencies of that State are eligible to receive for any fiscal year).

The Secretary shall approve an application which meets the requirements specified in this subsection, and he shall not finally disapprove an application except after reasonable notice and opportunity for a hearing to the State educational agency.

(e) (1) (A) The Secretary shall, subject to the provisions of subsection (f), from time to time pay to each State the amount which the local educational agencies of that State are eligible to receive under this section.

(B) From the funds paid to it pursuant to paragraph (A) each State educational agency shall distribute to each local educational agency of the State which has submitted an application approved pursuant to subsection (c) the amount for which such application has been approved, except that this amount shall not exceed the allotment to that agency pursuant to subsection (a).

(2) The Secretary is authorized to pay to each State amounts equal to the amounts expended by it for the proper and efficient performance of its duties under this section (including technical assistance for the measurements and evaluations required by subsection (b)), except that the total of such payments in any fiscal year shall not exceed—

(A) 1 per centum of the total grants made to local educational agencies of such State within that fiscal year; or

(B) $150,000, whichever is the greater, or $25,000 in the case of Puerto Rico, Guam, American Samoa, the Virgin Islands, or the Trust Territory of the Pacific Islands.

(3) No payments shall be made under this section for any fiscal year to a State which has taken into consideration payments under this section in determining the eligibility of any local educational agency in that State for State aid, or the amount of that aid, with respect to the free public education of children during that year or the preceding fiscal year.

(f) Whenever the Secretary, after reasonable notice and opportunity for hearing to any State educational agency, finds that there has been a failure to comply substantially with any assurance set forth in the application of that State approved under subsection (d), the Secretary shall notify the agency that further payments will not be made to the State under this section (or, in his discretion, that the State educational agency shall not make further payments under this section to specified local educational agencies affected by the failure) until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied, no further payments shall be made to the State under this section, or payments by the State educational agency under this section shall be limited to local educational agencies not affected by the failure, as the case may be.

(g) (1) If any State is dissatisfied with the Secretary's final action with respect to the approval of its application submitted under subsection (d) or with his final action under subsection (f), such State may, within sixty days after notice of such action, file with the United States court of appeals for the circuit in which such State is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary. The Secretary thereupon shall file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States Code.

(2) The findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify his previous action, and shall file in the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(3) Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Secretary or to set it

aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

QUALITY CONSTRUCTION

SEC. 5. (a) In addition to the sums allocated to it under section 4, each local educational agency shall be entitled to receive the sum of $500 multiplied by the number of pupils of the local educational agency in the membership of elementary and secondary schools of such agency at the beginning of the school year for which payments are to be made pursuant to this section who are in excess of the classroom space available for elementary and secondary education in the schools of such educational agency assuming a maximum classroom size of thirty, with priority to districts now compelled to operate schools with less than full day sessions for all grades.

(b) There shall be added to the excess pupil count authorized by paragraph (a) an additional two hundred and fifty pupils for each one-room school in operation by such local educational agency and an additional five hundred excess pupil count for each school exclusive of one-room schools of which there are no library facilities and an additional five hundred excess pupil count for each school exclusive of one-room schools in which there are no scientific laboratory facilities.

(c) Funds allocated to a local educational agency for purposes of this section shall be utilized for the construction and modernization of facilities. Construction of facilities by any local educational agency from funds authorized by this section shall be approved by the State educational agency upon application by the local educational agency in which application there is indicated appropriate planning of its facility needs by the local educational agency in providing programs of educational excellence in conformance with the requirements of section 4 (b).

REDUCTIONS NECESSITATED BY INSUFFICIENT APPROPRIATIONS

SEC. 6. If for any fiscal year the [illegible] appropriated under section 3 (b) is insufficient to p[illegible] to local educational agencies the full amount of the allotments provided for in section 4 (a) and section 5 (a), then the amount of each such agency's allotment under each such section shall be reduced by a percentage (which shall be uniform for each such agency and both of such sections) which will result in allotments which do not exceed the appropriations available therefor.

DEFINITIONS

SEC. 7. As used in this Act, except when otherwise specified—

(a) The term "current expenditure per public school child" for a State or for all the States means (1) the expenditures for free public education, including expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities, but not including expenditures for community services, capital outlay, and debt service, or any expenditures made from funds granted under such Federal program of assistance as the Secretary may prescribe, divided by (2) the number of children in average daily attendance to whom local educational agencies in the State or in all the States provided free public education during the year for which the computation is made.

(b) The term "equipment" includes machinery, utilities, and built-in equipment and any necessary enclosures or structures to house them, and includes all other items necessary for the provision of education services, such as instructional equipment and necessary furniture, printed, published, and audiovisual instructional materials and other related material.

(c) The term "gifted and talented children" means, in accordance with objective criteria prescribed by the Secretary, children who have outstanding intellectual ability or creative talent.

(d) The term "local educational agency" means a public board of education or other public authority legally constituted within a State for either administrative control, or direction, of public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or such combination of school districts or counties as are recognized in a State as an administrative agency for its public elementary or secondary schools, or a combination of local educational agencies; and includes any other public institution or agency having administrative control and direction of a public elementary or secondary school; and where responsibility for the control and direction of the activities in such schools which are to be assisted under this Act is vested in an agency subordinate to such a board or other authority, the Secretary may consider such subordinate agency as a local educational agency for purpose of this Act.

(e) The term "nonprofit" as applied to an agency, organization, or institution means an agency, organization, or institution owned or operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual, and which is exempt from taxation under section 501 of the Internal Revenue

Code of 1954, and charitable contributions to which are deductible under section 170 of such Code.

(f) The terms "elementary and secondary school" and "school" mean a school which provides elementary or secondary education, as determined under State law, except that it does not include any education provided beyond grade 12.

(g) The term "Secretary" means the Secretary of Health, Education, and Welfare.

(h) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision of public elementary and secondary schools, or, if there is no such officer or agency, an officer or agency designated by the Governor or by State law for this purpose.

(i) The term "State" means (1) one of the fifty States and the District of Columbia, and (2) for purposes of sections 4 and 5 (f), includes Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

EVALUATION

SEC. 8. Such sums as necessary but not to exceed a sum equal to 1 per centum of the amount appropriated for section 5 for any fiscal year shall be available to the Secretary for evaluation (directly or by grants or contracts) of the programs and projects authorized by sections 4 and 5.

JOINT FUNDING

SEC. 9. Pursuant to regulations prescribed by the President, where funds are advanced by the Department of Health, Education, and Welfare and one or more other Federal agencies for any program, project, or activity funded in whole or in part under sections 4 or 5 the Secretary may be designated to act for all in administering the funds advanced.

GENERAL PROVISIONS

SEC. 10. (a) The provision of parts B and C of the General Education Provisions Act (title IV of Public Law 247 (Ninetieth Congress) as amended by title IV of Public Law 230 (Ninety-first Congress)) shall apply to the program of Federal assistance authorized under this Act as if such program were an applicable program under such General Education Provisions Act, and the Secretary shall have the authority vested in the Commissioner of Education by such parts with respect to such program.

(b) Section 422 of such General Education Provisions Act is amended by inserting "Quality School Assistance Act of 1972;" after "the International Education Act of 1966;".

SEC. 11. (a) (1) Section 3 of the Act of September 30, 1950 (Public Law 815, Eighty-first Congress), is amended by striking out "June 30, 1973" and inserting in lieu thereof "June 30, 1975".

(2) Section 15(15) of such Act is amended by striking out "1968–1969" and inserting in lieu thereof "1970–1971".

(b) Sections 2(a), 3(b), and 4(a) of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), are each amended by striking out "1973" wherever it appears and inserting in lieu thereof "1978".

(c) Section 16(a)(1)(A) of the Act of September 23, 1950 (Public Law 815, Eighty-first Congress), is amended by striking out "July 1, 1973" and inserting in lieu thereof "July 1, 1975" and section 7(a)(1)(A) of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), is amended by striking out "July 1, 1973" and inserting in lieu thereof "July 1, 1978".

Mr. Pucinski. I am very pleased to introduce to the subcommitttee our first witnesses: Dave Selder and Carl Megel, from the American Federation of Teachers.

Both of them were before this subcommittee in 1969 advocating that the Federal Government secure a quality education for American youngsters when many others were much more timid in their ideals.

After Mr. Selden and Mr. Megel, we will hear testimony from the Lawyers Committee for Civil Rights under Law and a panel of the successful attorneys in the *Serrano* decision and similar decisions in Minnesota, Texas, and New Jersey.

I should like to place in the record at this point a United Press report which was based on an interview with Commissioner Marland.

(The press report follows:)

School Aid

Washington.—The administration is seriously considering a plan not only to equalize the amount of money spent on schools in each State, but to make sure as well that each State overall will be spending about the same as any other given State, Education Commissioner Sidney Marland said today.

Marland said, for instance, that New York State currently spends about $1,400 per school child while Alabama spends about $500. He added:

"Some effort must be made at least to modify these differences. At this time the administration is dealing only with the in-State equity issue. The interstate issue will, I believe, be confronted eventually."

Marland's latest insight on administration tax reform thinking was first disclosed to the American Association of School Administrators in Atlantic City, N.J., on Feb. 15. He amplified in an interview with UPI.

Marland said some of the school spending differences among States is caused by geographical variations in school and living costs and some by different levels of educational services.

"But a considerable portion is due to simple difference in wealth," he added.

In trying to reduce the differences Marland said he would favor increasing the Federal share of public school costs from the present 8 per cent to between 30 and 40 per cent.

"And as always, new money from the Federal Government will quickly suggest to the minds of some a new threat of control from Washington," he said. "It is my firm belief that such a threat can be contained and neutralized."

Mr. Pucinski. Within the context of the Commissioner's statement and my own statement, it is indeed my hope we can fashion bills here which will insure a floor of no less than $1,200 per child per year. This in trying to find a solution to this whole problem of financing education.

Before we hear from our first witnesses, I would like to call upon our distinguished colleague, Mr. Ford, who has done an enormous job in trying to find a solution to this whole problem of financing education.

Mr. Ford. Thank you, Mr. Chairman.

At the outset, on behalf of myself and all of the other people who have joined in sponsoring the three principal forms of general aid to education that are before us, your partnership in education bill, Chairman Perkins, Nationwide Educational Excellence Act, and the Quality School Assistance Act, which now has some 40 cosponsors, I would like to take note at this point, of the fact that even though this legislation has been considerably revised and very recently introduced, the chairman of the subcommittee, Chairman Pucinski, and Chairman Perkins of the full committee, have indicated their strong commitment to moving forward as the No. 1 priority in the area of general aid to education on a substantial scale, by moving these hearings ahead of all other matters pending before this committee, and Chairman Pucinski has a very busy legislative schedule for the committee for this year. I want to thank him publicly for putting this legislation ahead of all other matters, so that we will be in a position when the President, as he promised in his State of the Union message, is ready to disclose the nature and extent of his commitment to this endeavor sometime later this spring, so we, on this committee, will be in a position to respond positively with specific legislative answers to the suggestions that he makes.

At this time, Mr. Chairman, I would ilke to ask that the statement that I made on December 16, in the House, in support of the Quality School Assistance Act of 1972, at the time of its introduction be included in full in the record of these hearings.

Mr. PUCINSKI. Without objection, so ordered.

(The document referred to follows:)

[From the Congressional Record—House, Dec. 16, 1971]

QUALITY SCHOOL ASSISTANCE ACT

The SPEAKER. Under a previous order of the House, the gentleman from Michigan (Mr. William D. Ford) is recognized for 10 minutes.

Mr. WILLIAM D. FORD. Mr. Speaker, today I am joined by my colleagues, Mr. Dingell, Mrs. Griffiths, Mr. Nedzi, and Mr. O'Hara, in introducing the Quality School Assistance Act of 1972.

While the title of this legislation is the Quality School Assistance Act of 1972, we are introducing it today so the text of it will be printed in the Congressional Record and it will be available for the perusal of our colleagues here in Congress and for educators throughout the country prior to the time the Education and Labor Committee begins consideration of this matter early in the next session.

It is our hope that all educators and legislators will examine this bill and contribute their thoughts and ideas and participate in formulating the final version of this legislation.

This bill is designed to overcome the crowded and deteriorating conditions in our Nation's schools. It is designed to bring quality education and equality in education directly into every neighborhood in America by providing more Federal dollars to local educational agencies.

This proposal would provide a greatly expanded form of general aid to local educational agencies with special provisions for those districts with large concentration of students from low-income families. It would provide Federal funds for construction or modernization of overcrowded and obsolete facilities, with priority given to school districts now being forced to operate on half-day session. It would also extend the impact aid progran

Mr. Speaker, a study financed by the U.S. Office of Education tells us that acceptance of the belief that substantially equal educational opportunity should be provided for all pupils requires that we support a policy of general Federal aid for the public school systems. The study also tells us that the Federal Government, as well as the State and local governments, must be concerned not only with the equality of education, but also with the quantity and quality of public education. This bill is designed to meet these concerns.

My experience on the House Education and Labor Committee has convinced me that the overwhelming majority of educators throughout the country are deeply committed to the twin goals of quality education and equality in education. However, the overwhelming majority of our Nation's educators are hampered by a common problem in their efforts to achieve these goals. They lack adequate financial resources—and overcrowded classrooms, deteriorated facilities, inferior facilities, half-day sessions and low-quality education are the results. Local revenue sources are virtually dried up. Property taxes, which account for approximately 98 percent of all tax revenue raised by local school districts, cannot be raised any higher, and the people are now looking to the Federal Government to provide the necessary additional funds.

Mr. Speaker, presently, the Federal contribution to elementary and secondary education amounts to less than 7 percent of the total expenditure. Yet a comprehensive study financed by the Office of Education recommended that public schools should receive at least 22 percent of, and preferably 30 percent of, their total revenue from the Federal Government for the schools to have an adequate tax base and for the Federal Government to accomplish legitimate and appropriate Federal purposes. Our proposal, "The Quality Education Act of 1972" would permit the Federal Government to respond to this need. This legislation would commit the Federal Government to provide 20 percent of the State average per pupil expenditure for elementary and secondary education or 20 percent of the national average, whichever is greater, in fiscal year 1973. The Federal percentage would increase 5 percent per year for the next 3 years until it reaches a level of 35 percent in 1976. Only by making a commitment such as this will be able to meet the challenge of fulfilling the goal of bringing quality education and equality in education to every neighborhood in America.

We have recently heard a great deal about busing schoolchildren to achieve this very same goal. Mr. Speaker, this proposal is an alternative to the need for busing. This bill is designed to eliminate the need for busing by providing every student in this country with an equal educational opportunity and a quality education right in his own neighborhood. It is designed to accomplish these twin goals by providing the type of financial aid which is so urgently needed by all the school districts in this country, and by providing special financial assistance to those districts with special needs.

At this point I insert in the Record a summary of this bill:

"SUMMARY OF THE QUALITY SCHOOL ASSISTANCE ACT OF 1972

"This bill has three basic provisions. It provides for a greatly expanded form of federal general aid to education, it provides for special construction and modernization funds for overcrowded and impoverished school districts, and it extends the Impact Aid program.

"QUALITY ASSISTANCE

"This section makes a basic grant to each local educational agency based on the enrollment of all children ages 5 through 17 in the attendance area of such school district. For the fiscal year 1973 the amount of the grant would be 20% of the State average pupil expenditure for elementary and secondary education or 20% of the national average, whichever is greater for each such pupil. This would increase by 5% for the next three years. Thus for fiscal years 1974 through 1976 the federal grant would be 25%, 30%, 35%, respectively. The federal grant would remain at the 35% level in fiscal year 1977.

"In order to compensate school districts with the additional financial burden imposed upon them by concentrations of low-income families, an additional amount, equal to one-third of the basic per-pupil grant, would be allocated to each local education agency for each child from a low-income family in attendance in that district.

"QUALITY CONSTRUCTION

"This section makes available funds for the construction and modernization of school facilities. The formula provides that each local educational agency shall be entitled to receive the sum of $500 multiplied by the number of pupils in excess of the classroom space available, based on an assumption of a maximum classroom size of 30—i.e., if a school has 300 pupils in attendance and eight classrooms, the maximum classroom space available would be for 240 pupils. The remaining 60 would be in excess of the classroom space available and the school would be entitled to receive a sum of $30,000 ($500×60). Priority for funding under this section would be given to schools now operating on half-day sessions. Additional funds would be provided for districts in which one-room schools are still in operation or in which there are schools presently lacking library or scientific laboratory facilities.

"EXTENSION OF PUBLIC LAWS 815 AND 874

"The final section of the bill would extend the provisions of P.L. 815 through 1975 and extend the provisions of P.L. 874 through 1978."

Mr. FORD. Also, Mr. Chairman, I would like to note since the introduction on December 16 of H.R. 12367, H.R. 12695, H.R. 12696 were introduced which are duplications of H.R. 12367, that they are co-sponsored by substantial numbers of Members of the House of Representatives, representing north, south, east, and west, and rural and urban areas, I would like to include in the record at this point a list of the cosponsors at this time of this legislation.

Mr. PUCINSKI. Without objection, so ordered.

(The list referred to follows:)

QUALITY SCHOOL ASSISTANCE ACT OF 1972

H.R. 12367

Mr. William D. Ford (for himself, Mr. Dingell, Mrs. Griffiths, Mr. Nedzi, and Mr. O'Hara)

H.R. 12695

Mr. William D. Ford (for himself, Mr. Abourezk, Mr. Clark, Mr. Clay, Mr. Conyers, Mr. Cotter, Mr. Daniels of New Jersey, Mr. Danielson, Mr. Dent, Mr. Edwards of California, Mr. Eilberg, Mr. Harrington, Mr. Hechler of West Virginia, Mr. Helstoski, Mrs. Hicks of Massachusetts, and Mr. Matsunga)

H.R. 12696

Mr. William D. Ford (for himself, Mr Moss, Mr. Pepper, Mr. Perkins, Mr. Price of Illinois, Mr. Rangel, Mr. Ress, Mr. Rosenthal, Mr. St Germain, Mr. Scheuer, Mr. Steed, Mr. Tiernan, Mr. Meeds, Mr. Mikva, Mrs. Mink, Mr. Miller of California, Mr. Mitchell, and Mr. Moorhead)

Mr. FORD. Apropos of the statement made by the Chairman, I would like to observe that although Commissioner Marland and I had not discussed the bills we were going to introduce, he was kind enough to call independently of me, a press conference in which he endorsed on that day, the proposition that we were now at the point where we should proceed with all deliberate speed to the adoption of some plan for substantial Federal aid to elementary and secondary education in the nature of general aid, and on that day, I am sure that this is a case of two people with the same commitment thinking in the same way, in that he suggested we should start with a commitment of $12 billion.

We had his office cost out the Quality School Assistance Act of 1972, and found that it came to $10 billion, $615 million without the Impact Aid, and when you add the Impact Aid, which this bill would seek to extend, you will find we hit Commissioner Marland's figure of $12 billion right on the nose.

In view of the fact that the Commissioner is the foremost spokesman for the Administration on education, he has started with a commitment of $12 billion, and we would suggest $12 billion approximately the amount of our legislation for the first year. I would hope that these hearings would get on with the specifics of how we go about distributing this amount of money, and that we will not dwell too long on the amount of money, particularly any sums suggested below $12 billion.

I would like to compliment the Chairman also on the fact that his bill is superior to ours in one very important respect, and that is he more boldly than we do, does now suggest that we go within a period of three years to a one-third Federal contribution.

At the time I introduced this legislation originally, I thought 5 years was an ambitious goal, it was as ambitious as we could go, but now with the administration spokesmen throwing a $16 billion figure around, and the Commissioner talking about a $12 billion figure. I would suggest we start with your goal of reaching one-third contribution within 3 years, rather than the more modest 5 years suggested in our legislation, and once more, let me thank you with the promptness with which you started these hearings, and your commitment to the proposition the Federal Government should be in full partnership with the States and local communities in support of elementary and secondary education.

Mr. PUCINSKI. Thank you very much, Mr. Ford.

Mr. Bell, do you have any statement?

Mr. BELL. I have no comment, Mr. Chairman.

Mr. PUCINSKI. Mr. Ruth?

Mr. RUTH. No comment.

Mr PUCINSKI. Our first witness this morning is Mr. David Selden, president of the American Federation of Teachers, and his very valuable and highly respected aide, Carl J. Megel, director of legislation of the American Federation of Teachers.

Both were before this committee in 1969. Now, after Mr. Selden and Mr. Megel conclude their testimony, we will hear from the Lawyers Committee for Civil Rights Under Law, and a panel of the successful attorneys in the *Serrano* decision, and similar decisions in Minnesota, Texas, and New Jersey.

These hearings are being started today, and we are going to move on as expeditiously as we can, simply because it is the judgment of the members of this committee, in the wake of the *Serrano* decision, and similar decisions in Minnesota, Texas, and New Jersey, and a whole series of cases now pending around the country, which I suspect will follow on pretty much the *Serrano* decision, we must prepare the machinery for a greater partnership in education with the Federal Government and State governments.

All of these decision hold you cannot rely as heavily as we are today on the local tax base for education, because such reliance provides unequal educational opportunities, so as we start these hearings today, I feel very confident, especially in the wake of the statement made by Commissioner Marland, I feel very confident that we can pass a meaningful bill this year which will not only make the Federal Government a one-third partner, but for the first time will set a national floor, a national goal of I hope no less than $1,200 per child in every public school in this country, so that we will give every youngster an equal opportunity for a quality education.

Mr. Selden, Mr. Megel, we are most pleased to have you here, and I would suggest you proceed in any manner that you wish, and I might say that it is rather significant that Mr. Selden should start off these hearings.

He has been a champion of quality education for all of our Nation's youngsters for many, many years.

As I said, long before the great drift started for this legislation, Mr. Selden was a lone voice in the forest, preaching this doctrine, so we are pleased to have you here.

STATEMENTS OF DAVID SELDEN, PRESIDENT OF THE AMERICAN FEDERATION OF TEACHERS, AND CARL J. MEGEL, DIRECTOR OF LEGISLATION OF THE AMERICAN FEDERATION OF TEACHERS

Mr. SELDEN. Thank you very much, Mr. Chairman, for those very kind words.

First, I want to say that I agree with the statement that you opened your meeting with.

I think that your commitment to better funding for American education is very important, and the concepts that you express in general, I am in agreement with.

Mr. PUCINSKI. I might say, if I may just add, it is somewhat lamentable that the two hearings are being held today, one down the hall on the constitutional amendment, and one here, but I think when the smoke clears, the answers will be found here, and not before the Judicial Committee.

Mr. SELDEN. Well, I certainly agree with the underlying concept that if children were being properly educated at this present time, there would not be agitation for change.

It is because our school systems are not living up to the responsibilities thrust on them, because they cannot, with the funds that have been allocated, that we now have so much unrest, and so much challenge, and that is the thought you expressed in your statement. I think that is fundamentally true, but before I add any further remarks, I would like to call on our legislative representative, Carl J. Megel, who is a former president of the American Federation of Teachers.

Mr. Megel will present our general views, and then I would like to add a few comments extemporaneously.

Thank you.

Mr. MEGEL. Mr. Chairman and members of the committee, my name is Carl J. Megel.

I am the legislative director of the American Federation of Teachers, a national organization affiliated with the AFL-CIO and consisting of more than 250,000 classroom teachers.

With me this morning is David Selden, president of the American Federation of Teachers and Greg Humphrey, assistant legislative director.

The American Federation of Teachers is pleased to again have the opportunity to appear before this subcommittee in behalf of increasing Federal support for elementary and secondary education.

In previous presentations before this subcommittee, we pointed out that outdated textbooks were being used in overcrowded classrooms crammed into antiquated structures too poorly equipped to meet modern day needs.

Overlooked and underpaid school teachers struggle to maintain professional dignity in classrooms without books, pencils, and sometimes without blackboard chalk.

Many of these teachers forget their own personal financial difficulties in their efforts to teach hungry and poorly clothed youngsters.

No single factor created these conditions. They stemmed from the ever-expanding, ever-shifting, school population accelerated by school planning which often lacks imagination and resourcefulness.

Regardless of any other cause, the deficiencies and deterioration are due to lack of funds. Lack of funds is due essentially to—

1. Antiquated tax structures which placed major education dependency upon local property tax; and
2. Lack of supplementary Federal funds.

I am well aware that recitation of educational needs must sound to the members of this committee like a broken record.

However, the facts of the matter are that the financial situations have actually deteriorated, particularly in our larger city school systems which enroll a large percentage of our elementary and secondary boys and girls.

This deterioration is due, among others, to—

1. The rising cost of education;
2. The increasing demands upon schools and teachers; and
3. The inadequate and now declining percentage of Federal funds in support of public education.

As a result, many school districts, in 1972, must reduce their school term, curtail school services, and increase class size by not hiring or replacing teachers who retire or leave the system.

Other systems are maintaining a semblance of structure through deficit financing which cannot continue indefinitely.

New York, Chicago, Cleveland, and Detroit schools pass from crisis to crisis almost daily, as do the great majority of the 16,000 school districts throughout the Nation.

Included in this presentation are direct statements from the union teacher leaders of these four school systems.

In brief, they show that New York needs $850 million more for school operating expenses and 19,000 classrooms.

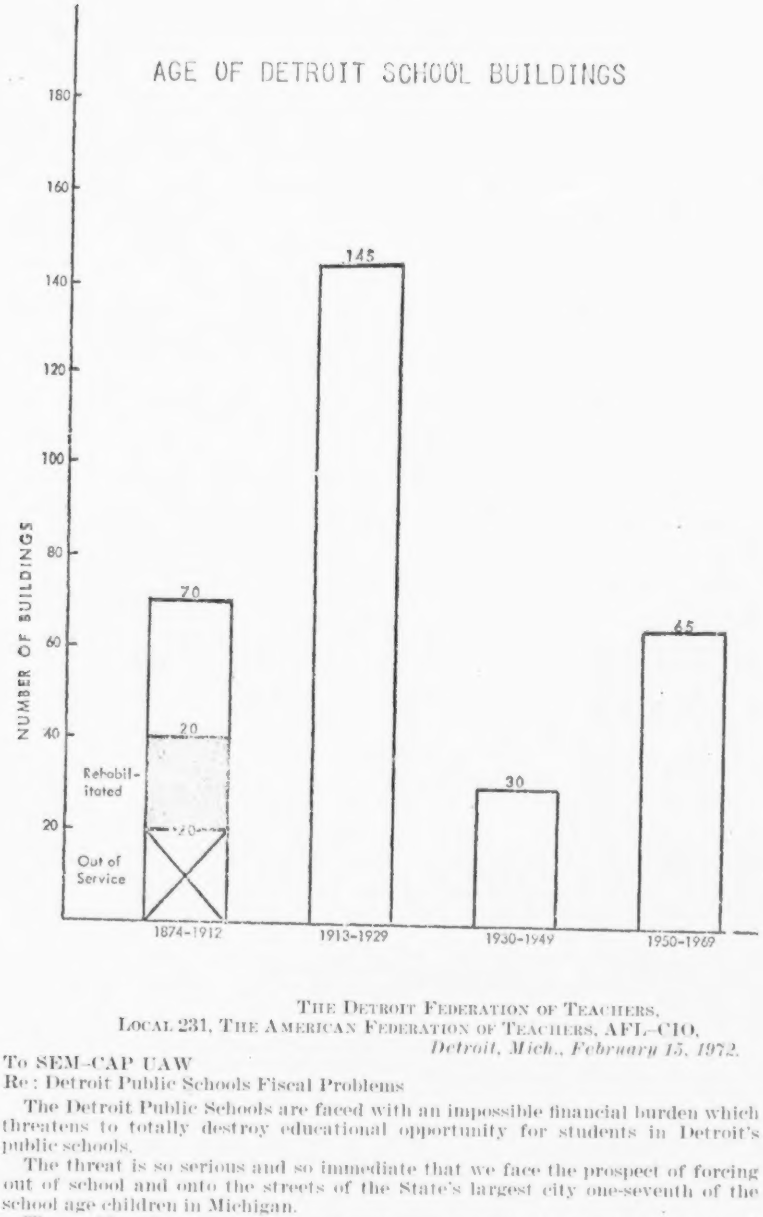
Chicago, Detroit, and Cleveland are in dire financial straits. Without additional moneys, they may not be able to complete this school term.

In the attached Detroit presentation, you will find at the back, I would like to have you notice that 145 buildings in Detroit were built before 1929, and that 80 percent of the buildings were built 50 years ago, therefore, we show the need.

Mr. Chairman, I would like to submit this for the record.

Mr. Pucinski. Without objection, so ordered.

(The material referred to follows:)



THE DETROIT FEDERATION OF TEACHERS,
LOCAL 231, THE AMERICAN FEDERATION OF TEACHERS, AFL-CIO,
Detroit, Mich., February 15, 1972.

To SEM-CAP UAW
Re: Detroit Public Schools Fiscal Problems

The Detroit Public Schools are faced with an impossible financial burden which threatens to totally destroy educational opportunity for students in Detroit's public schools.

The threat is so serious and so immediate that we face the prospect of forcing out of school and onto the streets of the State's largest city one-seventh of the school age children in Michigan.

The problem is not a sudden one come upon us with no warning. The school system ended the 1970-71 school year with an accumulated deficit of nineteen millions dollars as a result in large part of the following:

The Michigan Supreme Court decision on free books and supplies.

Curtailed State School Aid including the abrupt cut of .75 mills last February of previously promised and budgeted monies.

Loss of assessed valuation since 1961 which reduced the return from local property taxes by a total of about $91 million over the ten year period.

The cost of decentralization which was imposed on the city by legislative action, but which was not supported by the necessary State funds.

Increase in wages negotiated by employees which bring them up to the going rates in the Metropolitan area.

The deficit occurred in spite of the stringently curtailed budget measures taken last year in February and repeated this school year. In fact, in spite of the extreme cuts in budget, this year will see an additional twenty million dollars added to the deficit which will bring the total to the untenable amount of almost forty million dollars by the end of June—assuming the schools will be permitted somehow to finish the school year. The total budget is $260 million.

So that there can be no misunderstanding of the kind of cuts into the very flesh and marrow of the school program, we will list just a few of those adopted by the Board of Education as part of the "Survival Plan" of a year ago. They have been carried over into this year's budget to the point of severe crippling of the schools. Among them:

Increase in class size throughout the city (except where categorical state or federal funds are assigned) so that there are 35-36 and more children in almost every elementary class including primary grades. 37 to 40 are not too unusual. At a time when the normal elementary class size elsewhere in the State is somewhere around 25 or less, only those Detroit classes with categorical funds can be that small.

Junior and senior high school classes suffer the same kind of overcrowding with the same resulting problems of decreased achievement, increased discipline problems, and general dissatisfaction on the part of both students and teachers.

Reduction in purchase of textbooks—so that shortages are common even where books are assigned one per pupil station and not one per pupil—and the newly opened middle schools ordered by the Court had no books at all until Christmas other than what they could "beg, borrow, or steal."

Elimination of equipment and furniture purchase without regard to serious limitations this adds to already limited programs.

Elimination of painting or decorating school buildings (the schedule used to call for re-painting every seven years).

Reduction of maintenance of school plant including essentials—such as the known bad wiring at old Eastern High (re-named Dancy) and Northwestern which recently caused fires amounting to hundreds of thousands of dollars damage over and above the loss of the use of desperately needed facilities. False belief that the fires were the result of arson has done nothing to help build school spirit among students or confidence in the expectation of normal safety for their children on the part of parents who send their children to the older schools in the city. (Detroit has the highest percentage of old buildings of the entire metropolitan area—and probably the entire State. See attached charts.)

Elimination or non-replacement of personnel in support positions from custodians, to counselors among others. Reduced work week (from five to four days) for maintenance crews last spring.

Unless some way is found to raise needed revenue or further reduce the already severely crippled educational services, the Detroit schools will have to shut down for lack of money to operate.

Unfortunately, the school system's problems are complicated by the expiration on June 30, 1972 of five mills of extra voted property tax which produces about $28 to $30 million per year toward operation. An election among Detroit's citizens will cost the schools an additional $300,000 unless the vote can be attached to the State presidential primary and precinct delegate election now being debated in Lansing. In any case, the exceptionally high number of retirees on fixed incomes added to the large numbers of unemployed voters make the outcome doubtful. This is particularly true since we are already paying a total of over 57 mills on property plus a two percent income tax which is the equivalent of 14 mills more.

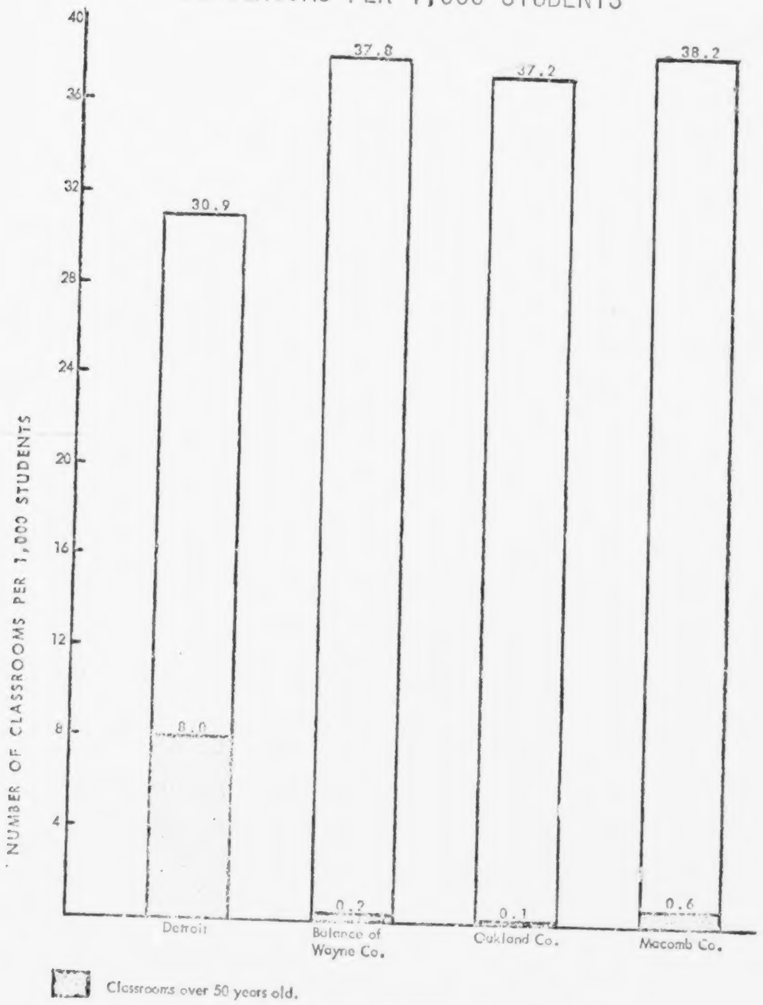
State-wide improvement in the support of public education is essential. Special consideration for the special needs of urban centers—and Detroit is one of them—is equally essential.

Urban centers are faced with expenditures above the norm which drain general fund dollars for items such as:

Indigent bus tickets—at a cost to Detroit of $700,000 last year when other school districts have transportation provided their students indigent or not.

Services related to Federally supported indigent lunch and breakfast programs. No funds are provided for the supervision and general clean-up necessary in the areas where the children eat let alone the supervision of the children before and after the meal on playgrounds that for the most part are extremely inadequately for the numbers of children who use them.

CLASSROOMS PER 1,000 STUDENTS



Detroit: 25.89% of all classrooms per 1,000 students are over 50 years old.
Balance of Wayne County: 0.52% of all classrooms per 1,000 students are over 50 years old.
Oakland County: 0.26% of all classrooms per 1,000 students are over 50 years old.
Macomb County: 1.5% of all classrooms per 1,000 students are over 50 years old.

The large numbers of students in need of special education services which are only partly funded by the State, and as of this legislative session, are mandatory (urban centers are known to have a much larger proportion of children in need than less crowded and stressful areas of the country).

The large numbers of students in need of other special services such as psychological testing, social worker services, etc. which are also not fully funded.

Court-ordered desegregation whose cost can only be guessed at now, but which is certain to rise sharply within the next few months.

Detroit has 65% of the minority youngsters in the State, 40% of the children defined as below the poverty level by the Federal government and a proportionately high number of mentally, physically, emotionally or socially handicapped youngsters who require special school programs.

We see a need for the following:

Full State support of a basic K–12 program.

Full State support of all special education programs.

Full State support of student assistance programs such as: indigent transportation, indigent food programs, and free books and supplies.

Full State support of vocational education.

Full State support of the cost of decentralization.

Protection of existing salary formulas.

Establishment of a State-wide maximum class size of 25.

Full State support for school construction.

Financing of the cost of whatever desegregation is ordered by the Courts.

Resolution of the budget deficit of approximately forty million dollars as of July, 1972.

Painful as it is in a time of financial pinch at every governmental level, the State must recognize that immediate action is necessary to provide educational opportunities to Detroit children during this school year along with provision for the years to come of funds which will permit a viable school program for the largest concentration of the State's children.

Immediate necessities include:

Financing to finish this school year.

Provision to cover the deficit, especially if there is a possibility of a new system of financing for the future.

Financing of the cost of whatever desegregation is ordered by the courts.

MARY ELLEN RIORDAN,
President.

Mr. MEGEL. To alleviate these conditions, the American Federation of Teachers strongly supports H.R. 981, introduced by Congressman Carl Perkins.

This is not to be interpreted as opposition to other educational bills, which have desirable provisions.

H.R. 981, in our opinion, contains more complete educational provisions.

H.R. 981, is a bill to establish a national program of assistance to the States and is cited as the "Nationwide Educational Excellence Act."

The goal of this act is to assure an average total of $1,600 for the education of each child in every school district in the Nation.

This is the major feature of this legislation. By setting a proper expenditure standard of funds for each child, H.R. 981, has a trademark which differentiates it from any other educational bill.

H.R. 981, proposes a 10-year funding program. However, since we are already several years behind the enactment of this legislation and because of the great urgency of need, the AFT is proposing that the program become a 5-year program which would require an additional Federal outlay of slightly more than $5 billion per year, in order to attain a total Federal expenditure of $26 billion per year in 5 years.

It is our contention, that the Federal Government should and must provide at least one-third of the cost of education in our Nation.

If this were done, the following benefits would accrue:

1. Increase teacher average salary by $3,000.
2. Increase the teaching staff by 500,000 teachers.
3. Increase the number of classrooms by 600,000.
4. Reduce class size to an average 20 pupils per teacher—actual.
5. Provide one paraprofessional for every two teachers.

We would also ask that H.R. 981 be amended by the insertion of the following paragraph:

> The Commissioner shall not approve an application by a State for funds under this Act unless there is satisfactory assurance that such funds will be allocated among the local educational agencies within that State according to the educational need in such a manner that, when added to the State's basic average per pupil expenditure, there will be, to the extent feasible, approximately equal socially compensatory levels in the average per pupil expenditure throughout all areas of the State.

In our efforts to achieve nationwide education excellence, we give special consideration to the millions who remain either illiterate or relatively uneducated.

These millions constitute that portion of our population which is labeled as "the poor and the deprived."

The proposition is no longer open to challenge that in our society there exists a close association between inadequate education and subsequent poverty and deprivation.

David Selden, president of the AFT, in a scholarly testimony entitled "Money and the Marginal Child" has expertly outlined the AFT's position.

I should like to enter this statement in the record at this point.

Mr. PUCINSKI. Without objection, so ordered.

(The statement referred to follows:)

MONEY
and the
MARGINAL CHILD

by David Selden

AFT

The insidious influence of the laws of economics on educational theory and tactics is little understood and seldom acknowledged. Yet this relationship is fundamental to any discussion of the quality of education. Money does not educate children; teachers and other educational workers do. Spending money on education will not in itself guarantee that children will be educated, but it is certain that children cannot be educated without it.

If we accept graduation from high school as the minimum definition of what constitutes "an education," American schools, even by their own standards, educate only half the children of the nation. Half of those who enter first grade never make it through the twelfth. Somewhere along the line they become dropouts, fallouts, or pushouts. The idea that half our children are not worth educating seems monstrous and yet, this is exactly the effect of what we are now doing. In effect, our school systems are based upon the concept of the "marginal child."

In economics, the marginal product is that which is barely worth producing. The marginal child is that child who, in the judgment of our society, is just barely worth the cost of educating. Those who fall below that line – the submarginal ones – are rejected or discarded in exactly the same way submarginal products are thrust out of the market place – except that humans, unlike submarginal automobiles, soap, or breakfast foods, do not just disappear, they become a part of our unemployment welfare, crime, and riot statistics.

There are those who insist that the amount of money spent on educating a child has little or no bearing on whether or not the child learns. This is nonsense. The effectiveness of teaching depends on a number of factors, all or almost all of which are controlled by the laws of economics.

There are differences in the educability of children. There are differences in intelligence, for instance. While intelligence tests may not be reliable as fine-scale measurements of the learning potential of a particular child, they nevertheless give adequate information about gross differences in intelligence, and these differences do affect the educability of children. Some children are emotionally unstable or psychologically handicapped so that they are unable to function in a group setting without special attention being given to them. Hundreds of thousands of children are socially and environmentally handicapped. Even when the problem of cultural relevance of curriculum and materials is properly dealt with so that such children at least understand the references in textbooks and other materials, they still have greater diffucolty in learning than do children coming from more amenable environments.

The fact that some children will be able to escape the statistical predictions of success and failure which could be made for their profile group does not alter the fact that we are confronted with a massive problem and only a solution which takes this into account has any validity. If we are going to reform our educational system so that, instead of educating 50% of our children, we educate 75% or even 90% tremendous amounts of additional money will be necessary.

Even considering that the most effective and efficient methods are used, educating another 25% of our children will require a vast expansion of educational services and it is obvious that the amount of money per child will increase as we go down the range of educability. That is, the farther we get away from the typical child for which our schools are designed the more it will cost.

We have been educating the easier-to-educate and rejecting the others. The easier-to-educate are those who can adapt to large group routinized instruction. Children with special learning problems require extra service – small-group or remedial instruction, psychological help, medical service, or just tender, loving care. Such services are squeezed out by the economic crunch within which our schools must operate.

The liberal Benthamite principle of "the greatest good for the greatest number" becomes a cruel engine of destruction when applied to a school system with less than half enough money to do the job assigned to it. Under present conditions, a kid who needs twice as much attention as another will be pushed aside, because if we educate him we are denying an education to two other, easier-to-educate children.

The following are some ways in which economic factors control what goes on in American schools:

1. According to the "Coleman Report," the most important single factor in a child's learning experience is his social milieu. Children from lower socio-economic groups, when mixed in school with middle and upper middle class children learn better without handicapping the learning of the other more favored children. Because of the segregated housing patterns, particularly in the northern big cities, the only way such a social mix can be achieved is by busing. Busing is expensive, both in capital outlay and operating costs, but if schools are not integrated, even larger amounts of money will be required for compensatory education programs. We therefore reject as immoral the policy of the Nixon administration which would restrict the amount of federal aid funds available for compensatory education programs and at the same time prohibit use of federal funds for busing.

2. Shortages of funds inevitably force large-group instruction. Larger classes can be taught by a teacher if the children in the class are all of approximately the same learning ability. The teacher can then use mass methods of instruction. The basic effect of ability grouping, however, is to adapt the school to the learning rate of the child instead of intensifying the child's educational experience so that he learns at a faster rate. Consequently, the children in the slower groups spend more and more time learning less and less. The opposite of ability grouping is heterogeneous grouping, but much smaller classes are required to teach varied ability groups. When children of greatly varying learning ability are placed in the same class much more individual attention from the teacher or other educational worker is required. Small classes inevitably require more teachers and other staff – unless the amount of classroom time for the child is

reduced, in which case his learning would again be handicapped. The more favorable the staffing ratio the more the cost per child.

3. In addition to the cost factor described above, ability grouping raises a problem of racial discrimination. Socio-economic class is highly correlated with race, and since learning rates are highly correlated with socio-economic class, ability grouping results in segregating large numbers of black and other minority children in the slower learning groups.

4. Staffing ratios have a controlling effect on the organization of instruction within the school. In addition to the problem of ability versus heterogeneous grouping there are also many other choices of methods and tactics available to educators. Most of these choices such as team teaching, differentiated staffing, and modular programming require more favorable staffing ratios. When money is tight there is no leeway in staff assignments and the more innovative and creative approaches to education are ruled out in favor of the "tried and true" methods of the past.

5. Economic factors have a hidden effect on curriculum offerings, particularly at the secondary school level. When small group instruction is squeezed out of the curriculum some of the more advanced courses in math, science, vocational and technical education, and fine arts are offered much less often, if at all. For instance, analytical geometry may be offered only once every other year instead of every year. If a student cannot fit the course into his program in the year it is offered he is just out of luck.

6. The quantity and quality of instructional materials and equipment is restricted when the supply of money is restricted. For instance, at the later elementary and intermediate levels, computer-assisted instruction has proved particularly useful for remedial teaching. But computers are expensive. Children cannot receive the benefit of such instruction if the school district does not have the money to buy or rent the machines.

7. School systems which have favorable salary schedules, fringe benefits, and working conditions can be more selective in teacher hiring and can have greater flexibility in the choice of methods, techniques, programs and structures. Good teachers can make otherwise ineffective teaching strategies successful, while poor teachers are apt to be less productive even though they may be going through the correct motions in a favorable setting. Acknowledging that there are differences in the effectiveness of teachers does not justify the so-called merit pay schemes, however. Even assuming that we could agree on the degree of effectiveness of one teacher as compared with another, paying them differently would not do anything to change their relative productivity, but being able to hire better qualified and more promising teachers in the first place is a different matter. Those school systems who can attract more effective teachers will inevitably be more productive — quantitatively and qualitatively. Their students will receive better educational service as a direct result of the money spent by the district on its schools.

It is totally irresponsible to say that until we can find a way to educate children more effectively and cheaply no more money can be spent on education. No one denies that we need more research in education. No one can deny that children should be educated in the most effective and efficient way possible, but until we find more efficient and effective ways to do the job we have the moral responsibility to give our schools the money necessary to educate children on the basis of what we now know.

We now turn to the question of where the money is to come from and how it is to be translated into educational services and how those services are to be distributed.

In talking about improving the financing of education, one must make the basic assumption that a much greater percentage of our gross national income must be devoted to this purpose. As a matter of fact, the United States ranks very low among the developed nations of the world in the percentage of national income given to education.

In 1970 the United States spent slightly under 6% of aggregate income for elementary and secondary school education. England spent 8% and the percentage of income spent by other countries varied upward. It would not be at all unreasonable for the United States to spend 10% of its gross national income for the education of the young. This would increase the total amount spent for elementary and secondary school education to 10% of $795 billion, or $79.5 billion, using 1970 figures. In that year the United States actually spent $45.4 billion for elementary and secondary education, both public and private, with the Federal government contributing approximately 8% of that total: about $4 billion.

In other words, in order to make even this modest additional commitment, $35 billion per year more would have to be produced from somewhere. The question is: where?

In addition to raising enough money to provide intensive education for the children who need it most, a fair and equitable educational support program must require an equitable contribution from all taxpayers.

Our basic ideas were contained in the National Excellence in Education Act introduced in the Senate two years ago, sponsored by many members of this committee. Our plan will be amended in the light of the Serrano decision which outlaws locally levied property taxes for education, and we will ask the sponsors to reintroduce it in the next session of Congress. The plan, as amended, would have the following basic elements:

1. The average per-pupil cost of education, utilizing proper staffing ratios, would be pegged at $1,600 a year.

2. This amount would be achieved by a combination of Federal aid and state tax effort, since the locally levied property tax is no longer a reliable source

of income.

3. Each state would establish a state educational fund. We make the following suggestions for raising the state share of this fund:

(a) Each state would levy a 20-mill property tax based on state property assessing procedures audited by an agency to be set up within the U.S. Treasury Department.

(b) States would be permitted to levy an education surtax on the Federal income tax. The surtax would be paid to the Treasury Department by the taxpayer along with his U.S. income tax bill. The Treasury Department would then refund such revenue to the state educational fund.

(c) Each state would be required to raise from sources other than the 20-mill property tax a minimum additional amount which would vary with the state's taxable wealth and income.

4. Federal aid would be distributed to the states so as to make up the difference between the amounts raised by state effort and $1,600 per child.

5. States would be required to present to the United States Office of Education a plan for distribution of educational funds to local districts in accordance with the educational need of the district. Educational need would be determined by means of a sociological index which would take into account such factors as per capita income, student mobility, student involvement in court proceedings, and other factors.

6. Local districts would be required to certify acceptable plans to their state agencies, with copies to the United States Office of Education, describing programs for intensive education for hard-to-educate children.

7. Local districts would be required to comply with Federal laws and court decisions relating to integration and civil rights.

In summary, we have tried to show here (1) that the quality of education is directly related to the funds devoted to education; (2) differences in the educability of children must be taken into account in any system of education, so that those with the greatest need receive the most intensive service; (3) equalization of expenditures between states should be accomplished through a combination of required state-wide tax effort and Federal aid; and (4) funds must be distributed within states in accordance with educational need.

Mr. Megel. At every level (local, State, and national) the question of financing of educational systems poses problems.

The *Serrano* decision in California, erasing local property taxes for financing local educational systems, has been followed by similar decisions in other areas.

It must be remembered, however, that the *Serrano* decision did not outlaw property taxes.

The decision stated that local property taxes could not provide equalized educational opportunity.

States, therefore, in addition to existing equitable tax programs, also must set up systems of statewide property taxation and distribute the funds for education on an equalized basis so that every child will have a fair and equal chance to receive quality education.

At the national level, there have been administration proposals for revenue sharing and the value added tax to support education.

The AFT cannot support revenue sharing unless massive new funds are provided.

The following resolution on the value added tax passed by the AFT executive council on February 5, 1972, states our position clearly:

The American Federation of Teachers, AFL-CIO, strongly opposes the Nixon administration's proposed value added tax. We resent the attempt to tie education to a regressive, unfair method of taxation which would further advance the Nixon "soak the poor" philosophy.

The value added tax is not a new way of taxing—it is merely a different method of collecting a sales tax. The burden of a value added tax falls entirely on the consumer, with all the regressive attributes of a sales tax. Moreover, the value added tax would destroy the thin margin of equity that remains in the Federal tax structure.

As proposed, this tax would single out education for special treatment. Revenue for education should be raised in the same manner that funds are raised for other social programs through the existing progressive Federal tax structure. It is inappropriate to hide an unfair tax under the cloak of desperately needed educational funds.

The AFT will oppose any value added tax proposed in Congress and will participate in the campaigns mounted against the value added tax by the AFL-CIO and other segments of the labor movement.

In conclusion, Mr. Chairman, without massive Federal input, American education in the great majority of our school districts faces chaos and bankruptcy.

We firmly believe that the Congress must immediately face up to the dire needs of the Nation's schools.

The proliferation of Federal educational funding programs can be merged into H.R. 981, if fully funded.

We urge serious consideration for this provision. We extend our thanks to the chairman and the committee for the opportunity to present our points of view.

Mr. Chairman, I have some additional material on the New York City's schools and the Chicago and Cleveland schools that I would like be made a part of the record.

Mr. Pucinski. Without objection, so ordered.

(The material referred to follows:)

WHAT NEW YORK CITY'S SCHOOLS NEED

(By C. H. Tompkins, Research Director, United Federation of Teachers)

All schools should have services that are adequate for the educational needs of the children assigned to them. Programs and standards which have been established for the More Effective Schools—cited the U.S. Office of Education series, "It Works"—should be available to every child in the elementary schools. This goal can only be accomplished by cutting existing pupil-teacher ratios in half.

On the junior high school level, the "Restructured Junior High School Program" developed by the United Federation of Teachers should be implemented in every borough. This program provides for middle schools of not more than 800 pupils. Small classes, a wide selection of courses and opportunities for individual study or research would be made available to each pupil. The result would be an effective learning environment.

The experimental program at the John Dewey High School offers an opportunity for an excellent high school experience to every student, and the program should be expanded. Students accept the intellectual challenge of the rich variety of available courses and opportunities for independent study, and teacher and pupil esprit d'corps at the school is high.

Comprehensive occupational training programs should be provided to give every student a saleable skill. Eighty percent of the jobs for the foreseeable future do not require a college degree, yet fewer than twenty percent of New York City's high school students now receive the occupational training that would qualify them for jobs upon graduation.

A paraprofessional should be assigned to every class on every grade level from pre-kindergarten through the 12th grade. This program has made a unique contribution to the education of the children, and, at the same time, has provided an opportunity for thousands of individuals to secure a college education. Fifty-two hundred paraprofessionals are enrolled in higher education in New York City for the 1972 spring term.

An educationally sound staffing ratio should be established for counselors and attendance teachers to guarantee essential guidance services for all the children.

There should be a substantial increase in the number of school secretaries to relieve the severely overburdened personnel who are performing vital services for school pupils and staff members.

The Bilingual Teacher in School and Community Relations program should be implemented on all levels of the school system. The number of non-English speaking pupils attending City schools requires at least one teacher in every school with a substantial enrollment of non-English speaking children to serve as a liaison between parents and school.

The Bureau of Child Guidance, despite great need on the part of socially and emotionally handicapped children, lacks an adequate staff of workers to do the job that needs to be done. The present staff totals less than one-fifth of the number of positions necessary to do effective work for children requiring psychological and social work services according to recognized professional standards.

Many handicapped children are on waiting lists unable to enroll in the public schools because of a lack of sufficient programs to meet their needs. Additional funds should be provided for physically and mentally handicapped children.

An internship, or on-the-job training program required of all new teachers for a period of approximately three years is essential to guarantee a high degree of professional competency. The internship program would serve as the teacher's probationary period. Teacher competence would be judged by scrutiny of the actual teaching performance during the internship period. In addition, retraining facilities under teacher control should be made available to all teachers in the school system.

The following tabulation shows that a major step toward achievement of the standards outlined above would require an increase of $850 million in school operating revenue.

To accommodate the increased staff and to retire obsolete facilities now used by 150,000 pupils in New York City would require the construction of 19,000 additional classrooms costing approximately $3.8 billion.

FINANCIAL NEEDS OF NEW YORK CITY'S SCHOOLS (FEBRUARY 1972)

Titles and standards	Additional positions	Additional Funds
Teachers (in sufficient numbers to reduce average class size from 28.5 to 20)	18, 700	$280, 000, 000
Guidance counselors (1 for every 250 pupils) and attendance teachers	4, 000	60, 000, 000
Psychologists and social workers (a fivefold increase)	1, 600	24, 000, 000
School secretaries, laboratory assistants and other supporting personnel	1, 000	10, 000, 000
Paraprofessionals (1 for every class, prekindergarten through grade 12)	56, 800	396, 000, 000
Internship program for 2,000 beginning teachers		20, 000, 000
Additional allowance for instructional materials and equipment, $20 per pupil		20, 000, 000
Improved maintenance of school buildings		40, 000, 000
Total		850, 000, 000

Note: Capital outlay—To accommodate the increased staff and retire obsolete facilities would require 19,000 additional classrooms costing approximately $3.8 billion.

CHICAGO TEACHERS UNION,
February 17, 1972.

Mr. CARL J. MEGEL,
Legislative Director, American Federation of Teachers,
Washington, D.C.

MY DEAR MR. MEGEL: In 1972 Chicago public schools received approximately $39.4 million under the seven titles of the Elementary and Secondary Education Act.

Approximately $36.4 million was allocated under Title I. This allocation allowed the Chicago schools to provide special assistance through Title I funds to 95 of the 249 schools which qualified for assistance. Of the 208,036 children in Chicago who were identified through the Aid to Dependent Children and census records as eligible to receive Title I services, only 43,824 could be served because of the limitation on funds available under Title I.

Further the means used to identify eligible schools and children—namely the Aid to Dependent Children and census records—fail to identify children whose needs are as great and whose poverty level may be as severe. They do not show up in the ADC rolls and census records for several reason: they are recent immigrants to the city and are often unaware of public assistance available to them or are unsophisticated in dealing with the procedures needed to obtain it. Many have a cultural tradition against public assistance. The largest of these groups of children whose needs go unrecognized by Title I eligibility guidelines are children whose first language is not English, American Indians, and Appalachians. There needs to be some special provision in the eligibility guidelines under Title I for these children whose critical education needs must not be ignored.

It was hoped that the introduction of Title VII to ESEA would provide for the needs of children who do not speak English well enough to succeed in school It has not. Chicago schools enroll 31,988 children who speak primarily Spanish. Another 5,574 elementary children have a foreign language background other than Spanish. In 1972 Chicago was allocated only $220,000 under Title VII to serve these children's needs.

Fraternally,

JOHN E. DESMOND,
President.

EDUCATIONAL NEEDS OF CLEVELAND, OHIO

(By James E. O'Meara, President, Cleveland Teachers Union)

The Cleveland schools are in dire financial straits. The January 1971 tax duplicate has been reduced by 100 million dollars. The loss of industry to Cleveland has also had its effect on our financial situation. With the large number of students on the poverty level in Cleveland's inner city, the cost of education has increased considerably. In twenty-five Cleveland elementary schools, out of a total of 132, more than 50% of the students are from welfare families.

The federal government owes the Cleveland Board of Education $750,000 for the food services that were rendered in the poverty program. As a result, Cleveland had to borrow even more money to meet its expenses this year.

The needs of Cleveland are great as is true in most of the nation's larger cities. Cleveland has need of at least 75 classroom teachers with special training to handle the emotionally disturbed children. These students should be removed from regular classrooms. The cost of special classrooms would be approximately $1,250,000.

We must expand our vocational education program to prepare inner city children for jobs. The most of this expansion would be about $3,000,000.

Our food service program should be enlarged. At the present time, only 45 of Cleveland's 135 elementary schools participate in the food program. The needed increase would cost about 2 million dollars.

School libraries need new books to replace those which have worn out from use and handling. Cost of book replacement would be about $1,000,000.

More supplies, equipment, and trained personnel are needed to upgrade our educational programs. Title I and other federal programs have made great contributions to Cleveland's school system; however, we are barely managing even with the present programs.

The federal government must come to the aid of the Cleveland schools if we are to give the children of Cleveland the quality education they so desperately need and deserve.

Mr. Quie. The resolution indicates the value added tax is a regressive tax.

In comparison with the property tax, I think there is a big difference in its regressiveness.

I was wondering if the AFT has anything comparing the regressiveness of the property tax with the value added tax.

Mr. Selden. We do not have any studies along that line, but I would like to make a few comments, and my comments may have a bearing on it.

Mr. Bell. If the gentleman would yield—you speak of the value added tax as being regressive.

It seems to me that you are certainly aware of the regressiveness of the present property tax. Which of the two taxes—sales tax or property tax—would you say is more regressive?

Mr. Selden. Mr. Bell, I will get into this. Will you allow me to complete that testimony?

Mr. Bell. Sure. Go ahead.

Mr. Selden. I just want to add a few remarks, and emphasize some of the points that have been made in our formal testimony.

In the first place, in regard to the matter of a third of the costs of education, which should be supported by the Federal Government, I don't think that the chairman, or Mr. Ford, or Mr. Bell, or anybody thinks there is anything magic about the third.

It is a third of what, and we therefore have to come down to what does it take to provide a decent, a proper education for children in the United States, who are not now getting a proper education.

We have set that figure in dollars as an average of $1,600 per child.

The chairman's legislation anticipates $1,200. Mr. Ford's legislation provides a different sort of sliding scale formula, which is not based on a specific amount per child, but we all have this one thing in common, we realize that the quality of education cannot be improved without vast increases in the amount of money, that will be devoted to education.

The question then revolves around how that money is going to be raised, how it is going to be provided.

I do not think we are at the point where we can really abandon the property tax, nor do I think we should.

The property tax certainly does have regressive features, but there is a good deal of nonsense said about the property tax in this regressiveness.

If we proceed on the basis we tax only income, and leave wealth, or accumulations of income untouched, we can do a great deal of injustice in our tax system.

Now, the *Serrano* decision was based on the inequalities, or inequities in various rates, in school systems in the educational process provided by the school system because of the variations in taxable wealth.

Now, it may be rather hard in present company to accept this concept.

Mr. Bell, I spent Friday in your district, and I had a very pleasant time, and we had some mutual friends.

Mr. Ford is an old friend of mine. I used to teach in his school system in his district, so what I am about to say, knowing both those districts, what I am about to say may not find ready acceptance, but I have to say it anyway, because I said it many, many years ago when I was a teacher in the Dearborn School System.

What the *Serrano* decision decided is that it is grossly unfair to allow the children in school districts that have wealthy assessed valuations, to simply receive that windfall from light taxation, all to themselves, and the children living in nearby districts, not to be able to receive that kind of support.

More than 20 years ago, I think it must be about 30 years ago, I was called before the Dearborn Board of Education to explain my statements in writing at that time, that the Dearborn board should not go to Lansing, the State capital, to try to rig the State aid formula in an effort to reduce taxes in Dearborn.

Our taxes were already lower than anybody else's in the State, and we were already providing more education per child than anybody else.

What we needed was more taxes from all sources, more income from all sources to provide education for children in other poor districts in the State of Michigan.

I have not changed my view in 30 years. I will keep on fighting that battle. We must equalize. The property tax is a perfectly legitimate tax, if it is levied on a statewide basis, on the basis of as nearly as possible of equal valuation, equal assessment procedures, it is a perfectly legitimate and useful tax, and furthermore, I do not think we can get along without it.

If we had a statewide tax in Michigan or California, or almost any other State of say 20 mills, and true valuation, including industrial property, such as the Ford plant in Dearborn, or commercial property, in the San Fernando Valley, other places of this kind, we would generate a great deal of income, which then could be put into a State fund and redistributed according to the education needs of the local school districts.

This would be a fair system of taxation and distribution.

There might be some mistakes made, there always are, when you deal with money and taxes.

Mr. Bell. May I interrupt with a question here?

Mr. Selden. Yes.

Mr. Bell. You are talking about increasing the property tax to say——

Mr. Selden. Twenty mills. That probably would not be an increase in most school districts.

Mr. Bell. What would that include?

We are already taxing property; we are already taxing industry.

How would you apply it?

Mr. Selden. The same way it is being applied now, except it would be done fairly.

At the present time, all school districts rely on an assessed valuation of their districts to pay for property taxes.

We would do that, we would continue to use this as a source of income, but the assessing would be done by the State level, and furthermore, I would like to have those assessing procedures monitored by the Internal Revenue Service, so that we would be sure there would be no hanky-panky between one State as compared with another.

It is a sensible way to do it. Twenty mills is not high. It is lower than most school districts now charge.

Now, let me pass onto the question of the value-added tax. The value-added tax is really a sales tax in disguise. But worse than that, it is a compound tax. It is added on at each of the various processes, so that the consumer pays in the end much more tax than he would be aware of, than he is paying in a straight sales tax.

The problems with the value-added tax is not only its regressiveness, however, and it is more regressive than say, the Federal income tax.

The main problem is with the President's proposal at any rate, is that unlike anything else that the Federal Government attempts to do, the improvement of education is made dependent upon enactment of a special tax program.

In other words, if we want to wage a war, or we want to carry on any of the other functions of Government, those charges are generally charged upon the U.S. Treasury, and we do not have to wait to enact a special tax, particularly an especially bad tax, before we set up.

Now, education ought to get the same sort of consideration, and I submit that that event, the support of education would be progressive to the same extent that the support of any other function of Government is progressive.

It should be a charge upon the general treasury of the United States, and not singled out as the prize won for a special taxation. To get good schools, you must swallow this bitter pill. I hope that we can get money to the schools this year.

I hope it will not be left until after the election. We are in desperate situations. In Los Angeles County, there has been a progessive deterioration of educational service to children over the past 5 years at least. In many school districts in Michigan, the same thing is true.

In not only the big cities, but throughout the Nation, we are finding at a time when we are trying to educate more people than we ever did before, and when the need for giving everybody a fair education, is greater than ever before, we find that we are cutting back, that we are giving less in a time of greatest need.

Mr. Bell. Mr. Selden, in your suggestion of an equalized statewide tax in California, I think you might find that you would end up with perhaps less money totally. If you tried to equalize the amount per district you would lower the per pupil expenditure in some areas.

Mr. SELDEN. Let me repeat, we would have a uniform tax rate, and I just suggested 20 mills as a reasonable rate.

I think this is better than the President's suggestion, that we virtually abandon the property tax, and substitute it for a tax on income of a particularly regressive nature.

Now, just a minute. I want to answer your question. The total amount of money in California raised from a 20 mill rate, uniformly levied, on fair valuation of property, full valuation of property, would, I am confident, although I do not have the figures in front of me, generate more money than is now being raised by the property tax in California, for school purposes.

Now, the reason for this is that there are some very wealthy districts, with few children.

There are industrial districts, they are districts of wealthier people who do not have children in the schools, there are some districts that are able to charge a rate of 10 mills, and generate a great deal of money, while other districts, with 30, 40 mill tax rates for education, cannot generate anywhere near as much money per child.

A uniform rate of 20 mills applied on all property, take away these tax havens, for the wealthy, and the privileges they have found for themselves, take them away, make them pay for the education of the children of the U.S. citizens.

Mr. BELL. Have you made a study of this, a study in detail of how you would come out on something like this?

Mr. SELDEN. Well, I will, but I am confident the facts will support it.

Look at the report of the National Education Finance Project. It has some shortcomings, but it is a pretty good report and a detailed report.

I think you will find the figures in that five-volume study pretty well supports what I am saying.

Mr. BELL. Without a study of this, your suggestion sounds a little bit like some of the comments made by some of the candidates for President. You say the answer to this problem is eliminating tax loopholes. That is not going to add up to anything.

Mr. SELDEN. No, that is entirely different.

Mr. BELL. Well, I know when you get into something like a blanket statement, it may not add up the way you think it will.

It often does not, I've learned, and as far as the value-added tax is concerned, the regressiveness of the property tax is much worse. For example, low-income people probably would not be homeowners, they would probably be renters, and the landlord always ups the rent to pay for these taxes. So a person on $2,000 income would be spending roughly 16 percent of his earnings on the property tax; whereas on a value-added tax, that would be about 6 percent. The effect on the poor is worse under a property tax than it is under a value-added tax, so I do not quite follow your reasoning on this.

I think that perhaps you ought to study a little harder the value-added tax situation, and get some comparisons on it.

Mr. SELDEN. Well, I am not just speaking off the top off my head.

Mr. BELL. I realize that.

Mr. SELDEN. I have studied school taxes for at least 30 years.

Mr. Bell. I know that, but you are making a comment about how you think the property tax would end up under a 20-mill program.

Now, I say, that so often people make predictions, and when they study it, they do not always find out the matter ends as they expected.

Mr. Selden. Let me say, and I present the facts to you, and they support the facts, will you then admit I am right?

Mr. Bell. I probably would, if that were the case, but you apparently are a long way from doing that.

Mr. Selden. No, just a day or two.

Mr. Bell. And if I could give you some answers on the value-added tax, would you admit that I was right?

Mr. Selden. The value-added tax is a classic debate, that probably has been a high school debate topic. Those topics are always; there is a lot of argument on either side.

I am not, what I am saying is this, that we cannot get along without the property tax, or whatever other taxes we have, that it should be uniformly levied.

Mr. Bell. But the Nixon administration is not saying they were going to eliminate the property tax.

Mr. Selden. They seek to convey that impression.

Mr. Bell. They said they will lessen it.

I can tell you, Mr. Selden, the people in my district, in the Los Angeles area, are up in arms on the property tax.

They do not want to pay any more, and this is to them, first of all, a regressive tax, and it is a very, very difficult one for them to continue to handle, and any increase in it would be detrimental.

Mr. Selden. Well, you are maintaining there is no increase, that it would be less.

I am saying on a statewide basis, it would generate more money, because people now in tax havens would not be able to have that.

Mr. Bell. Again, you are assuming something without facts.

Mr. Selden. Well, every State has these things, in your State as well as any other.

Mr. Megel. I will give you an illustration. I think Congressman Pucinski can verify that. The property taxes which are not just providing, they are not providing equal education opportunities, and that is true throughout the country.

Mr. Ford. I hope we can get back to a Federal role in this, but I would like to observe, the pressure that resulted in the *Serrano* decision, and the other decisions, started to build up as a very natural consequence that the people have been predicting for many, many years.

Back in 1961, where we had the ill-fated constitutional convention in Michigan, we had experts from all over the country, and they told the delegates that something like *Serrano* would be the ultimate result, if we failed to restructure the principal tax being used in our State for supporting schools, in which the property tax, in a way they provided for several facets of equity, not only equity in its distribution, but its method of collection.

We were unable, because of a variety of vested interests, that brought political pressure to bear, to make any significant change, and I am looking forward quite frankly to the Michigan court making a decision very similar to the *Serrano* decision.

I can say, Mr. Selden, while you are familiar with the fact I represent a totally suburban congressional district, with all suburban schools, as a matter of fact, there are only two of us in the Detroit area that have no part of Detroit touching it, the main fact is that I regard the *Serrano* decision as the best thing that happened in this century to education, because I feel the *Serrano* decision is a very big plus for my school district, which consists primarily of blue-collar suburbs.

We are painfully aware, that as the country has urbanized, at such a rapid rate, and become at the same time quite mobile, that people do not live in the same taxing unit with the factory that produces the taxes, so we have these extraordinary variations between a community that is lucky enough to have the Ford Motor plant located in it, and the adjoining community provides the best classrooms for all of the employees of that factory, but get none of the taxes to educate the children, and this is a condition we have recognized building for a long, long time, and a specific example I cite, should make it easier why a *Serrano* decision was inevitable.

The question of whether a property tax continues or not is not one that we will solve, in this committee, or in the Congress for that matter, because the property tax undoubtedly will continue as the principal mainstay, with all units of local government, in supporting their activities.

I suggest, however, that we really ought to be looking at the fact that *Serrano* case represents to us what we should have recognized a long time ago, that whatever we have as a principal source of support for public education, must be administered in a way so that it fairly uses the assets to guarantee quality educational opportunity for all of the children within a State, without regard to any artificial distribution formulation that takes into account the particular site of residence of a child, as distinguished from his need. It seems to me the *Serrano* case will heighten the public pressure for greater Federal assistance, because, in fact, once you develop a statewide fair property tax, the pressure with the people who are the most articulate, and most powerful in State legislatures and elsewhere, will build to the point at which the demand will be unbearable on the Congress to come up with some Federal assistance, because given the choice of paying the fair share of taxes for the support of schools and going some place else, you will go some place else, and we are the some place else.

I would have preferred that we could have been farsighted enough in our legislative institutions in this country to anticipate this problem and face up to it, but we have not been able to do so.

Once again, the courts have had to step in and draw a line for us, and give us a painful deadline to meet, and already states that of totally disregarded any kind of reform in this area, that reform is moving very rapidly.

One problem with the whole discussion of the value added tax is this. I am surprised to see my colleagues on this committee so anxious to defend it, because what is inherent in the whole value added tax proposal, that is most important to this committee, is that it is in my opinion an attempt by the administration to have educational legislation written by the Ways and Means Committee of the House, and by the Finance Committee in the Senate, rather than by the Education and

Labor Committee in the House, and if it is now going to be our decision, when we are at the turning point of the role of the Federal Government from elementary and secondary education in this country, that we are going to turn over the responsibility for writing education legislation to the tax writing committees of this Congress, then I hope all of my colleagues on this committee are confident of the basic philosophical decision to be made.

I have a great confidence in the ability of those committees to write tax legislation, despite my disagreement with the kinds of tax laws that have been written in recent years.

I lack that confidence with regard to their expertise in the educational fields.

Mr. Bell. Will the gentleman yield?

Mr. Ford. I would be glad to.

Mr. Bell. I certainly do not believe that my colleague is saying that we are more concerned about which committees write the legislation than we are about what is going to be done about solving the crisis in our schools.

Mr. Ford. You do not understand me correctly. I am stating flatly on the record, I view that as a plot by your administration to circumvent, to go around the expertise of this committee in the field of education, and come up with a gimmick, a political gimmick that will not do a thing for the schools of this country.

Mr. Bell. The gentleman is dreaming a bit there, I am afraid.

Mr. Ford. I am not dreaming.

Mr. Bell. The President is trying to meet a crisis and he is trying to come up with a proposal.

He is trying to meet a crisis with a less regressive tax than the property tax.

Mr. Pucinski. Will my colleague yield?

Mr. Bell. Yes.

Mr. Pucinski. I am amazed we should be engaged in this long dialog about new taxes, additional taxes. We passed the Tax Reform Act of 1970, in which we actually cut the taxes in anticipation of full employment and prosperity.

Now, if you just address yourselves to the problem of putting the 30 percent in your plant capacity which is now laying idle in this country to work, and if you put the 6 million people unemployed to work, and if you were to put the people underemployed, working part time, back to work full time, and if you were to raise the standard of two and a half million working poor who work very hard and do not have enough to feed their family, and then if you were to create the 1 million new jobs for the college students and high school students that graduated this last June, and still are looking for work, and here it is the end of February, still looking for employment, now, if you were to address yourselves to the problem of restoring prosperity in this country, you do not have to engage in this dialog of new taxes, valued added taxes, and all of that.

You will generate enough income in the normal growth of the country in full employment to take care of these problems.

Mr. Bell. Will the gentleman yield?

Mr. Pucinski. I was wondering if I could get the witness to comment on that.

Mr. Selden. I assure you, the more people you have working, the more money you generate.

I think I would just like to reiterate that taxes, this is really what Congressman Ford was saying, that we raise revenue, to support the purposes of Government, and the kinds of taxes we use are considered by the appropriate committees, and on their merits, on the merits of the tax, we do not tie it to some specific program, and say if you will only do this thing, which you may find distasteful, and then you may have this which you may find very good.

In education, it stands on its own, it needs the money, regardless of where the taxes come from.

Mr. Ford. Mr. Chairman, I would like to make one further brief comment about the concerns, and I hope the witness will appear, since the value added tax package is being proposed as a way of funding education, will clear up some of the questions.

I noticed from various sources, some attributable to the White House, some not, a suggestion that $16 billion would be the price tag for a value added tax package, that as Mr. Selden indicates would say to the people, if you want more money for education, you will have to support this new method of taxation, but then, from time to time, there is an explanation as to why this tax will not be really as regressive as everyone is suggesting, and one is that you would be able, advise the Federal taxpayer to deduct from his Federal income tax, the amount approximately of his payment in value added tax, thereby having the Federal Government absorb a part of the costs of the value added tax, by that tax deduction, so to that extent that will be a deduction from the $16 billion if you do that, and that will be a cost, even though it is given back in the form of a tax deduction, and, second, it has been suggested, a part of the $16 billion will be used to reduce the present property taxes, being paid by citizens.

Now, you can get elected from everything to dog catcher to Governor in my State, by promising to reduce property taxes.

It is not a new claim, not a Democrat, Republican, Socialist, or what have you claim.

Nearly everyone has used this gimmick successfully in politics.

If we are going to reduce some of the property taxes, then that has to be deducted from the $16 billion, and then there is a program, introduced by the minority leader in the House, and by others in the administration to provide tax credit on our income tax return, for the amount of money paid for tuition of children attending nonpublic schools, both parochial and nonparochial.

Presumably that is the part of a total cost of a $16 billion commitment.

The question that leaves is after you get through juggling these figures, will there be any, and if so, how much, left out of the $16 billion, to be distributed to the local school districts for the purpose of increasing the present level of support for education, and that is the big question that remains unanswered. So I think we are premature in trying to discuss the value added tax.

Mr. Bell. If the gentleman will yield, I think we are premature in discussing all of these suggested methods.

The tax which the gentleman suggests is one that has been around quite a while, the tax deduction for further education has been tried by Senator Ribicoff as well as many Members of the House, and so that does not necessarily mean it is tied to the value added tax or even related to it.

The administration has not even advocated the value added tax as yet.

There has been mention in the press about it. However, I am concerned about meeting the terrible crisis that faces our schools, and thus far, I have not been shown that the property tax is the answer, and, in fact, it seems to me, it is not the answer.

As the gentleman said, you can get elected by advocating the reduction of the property tax, but we have to find some other method, if not to withdraw or eliminate entirely the property tax, at least to alleviate or lessen it, and on that point, the value added tax, it seems to me, comes closer to the answer than any other tax that I can think of.

I think if you wanted to have a tax that was the least regressive, maybe we should have an increased income tax.

That would be least regressive, but it would also be the toughest tax to ever pass right now, I believe.

When the property tax is compared to a value added tax, the value added tax would certainly be a great deal less regressive. The property tax is simply a bad regressive tax.

What have you got for alternatives?

Mr. PUCINSKI. The gentleman from California makes the statement about the value added tax compared to property taxes.

We keep talking about this value added tax, and in my opinion, the value added tax. I think we ought to keep one thing in mind, when we talk about the property taxes, whether it is in Illinois, New York, or in California, possibly 60 percent of the property taxes comes from big corporations. Only about 40 percent comes from individual taxpayers. What you are really saying, you are going to reduce property taxes for big corporations, and shift that burden to the wage earner, to the middle-income worker, to the people who pay sales taxes.

Now, what sort of logic is that, and with friends like that, the poor and middle-income taxpayer does not need enemies.

Mr. BELL. I do not know where you figure 60 percent for corporations, but I do know a lot of small home owners, that are not what you would call wealthy, who are carrying a big amount of weight on the property tax.

Now, to try to say this is an attempt to help the corporation is almost ludicrous.

We have property taxes that people all over the country are concerned about.

Mr. PUCINSKI. What you are saying then is that if you are to reduce property taxes, you would reduce them only on individual property taxpayers.

You are not talking about reducing property taxes of corporations.

Is that the posture of the administration?

Mr. BELL. I have not said anything specific about that yet, nor has the administration, although I might come to that conclusion. But I think the gentleman is still failing to respond to the point that a family with earnings of $2,000 a year pays 16 percent for property taxes whereas under a value added tax, they would pay only about 6 percent.

Now, which of those two taxes would you think would be the most regressive?

Mr. PUCINSKI. I think the value added tax, any way you cut this up, it probably, to use the words "value added" is really nothing more than a big Federal sales tax.

Mr. BELL. In other words, you are saying 16 percent?

Mr. PUCINSKI. I am saying the value added tax is a Federal sales tax and it would hit hardest the poor people, the senior citizens on fixed income: 78 percent of our senior citizens rely on their social security tax as their sole source of income, and what you would be doing is making those people pay an additional new tax, when they are already struggling to stay alive, and stay afloat, but I would like to get the witness to answer.

Mr. BELL. I am quite startled to hear the gentleman say 16 percent.

Mr. PUCINSKI. I did not say anything about 16 percent.

The 16 percent is your figure, and I don't know where you get your figures.

If there is anything that is missing in this administration, it is accurate figures, while the biggest issue in this 1972 campaign is the total lack of credibility, coming down from all agencies, so don't give me that 16 percent.

Mr. BELL. I am amazed by the accuracy of the gentleman's statement.

Mr. SELDEN. I really challenge the figures myself. There must be some qualifications that must be inserted in there. I heard the Congressman say that the entire burden of the property tax, when I thought he said woud be shifted to, did shift to the renter.

It is not quite that way, and if the figures are based on that, then I think that there may be some flaw in them.

Mr. BELL. Are you trying to say the landlord does not increase his rents, when he pays a property tax?

He does not make the consumer pay the tax?

Mr. SELDEN. There are all sorts of arguments on this.

Mr. BELL. I am just asking you.

Mr. SELDEN. The businessman who owns the property that is rented, has many tax advantages, which he can take, in his business of running rental property, and so it is not entirely a matter of passing all this on.

I am just saying, I do not have the figures here, I do not have how you would derive the figures, but I am suspicious, I cannot believe, I really cannot believe if you had a uniform property tax levied statewide, on true evaluation of all property, that that would average out on an income basis being more regressive than a sales tax.

I just cannot believe it.

Mr. PUCINSKI. I wonder if I may change the subject. In this legislation, whenever we talk about a Federal aid to education program, invariably the question comes up by those who oppose this legislation, that all of this money will be absorbed and consumed by salary increases for teachers.

Now, we know that is not true, of course, but I was wondering if you would care to comment on that, and put it in the proper perspective.

Mr. SELDEN. I am not opposed to salary increases for teachers, but all things have to be in proper proportion.

Now, Mr. Megel in his testimony cited some examples of what increases in funds could buy.

Salary increases, these are just, of course, examples of what could be done.

Salary increases, just one list of them are of many things.

As I go around the country, and listen to teachers talk, there is more concern about the cuts in positions, the cuts in numbers of teachers, cuts in aides and paraprofessionals, that make it simply harder to survive in the classroom today than it was last year, in a time of increasing social turbulence, we are having fewer and fewer people put in our most pervasive social institutions.

Mr. PUCINSKI. You would agree happiness is a teacher that can pay her bills?

Mr. SELDEN. Yes.

Mr. PUCINSKI. Mr. Meeds.

Mr. MEEDS. No questions.

Mr. PUCINSKI. Mr. Quie.

Mr. QUIE. I would like to ask what the increase of $3,000 per teacher would require in increased Federal support.

Mr. SELDEN. $6 billion.

Mr. QUIE. $6 billion is what it would amount to. The second question is related to your suggestion to reduce the average size in the class to 20 pupils instead of where it is now. You indicate that when we look at figures, the average size now includes non-teacher employees as well, so we have that to consider. I would like to know what studies you have on the improvement of the quality of educating students with 20 to a class. I visited with this committee in St. Louis, where they had rooms of 20 students, and they found no difference in the average results whether the class had 33 or 20 students.

They said an inadequate teacher is doing an inadequate job with 20 as with 33.

A good teacher was doing as good a job with 33 as with 20.

Mr. SELDEN. It is very difficult to approach educational statistics at this time, and have them free from self-interest or vested interest.

It is very difficult to do this. People come with predetermined opinions, and so they see what they want to see.

The most outstanding thing that we have done is our more effective schools program in New York, which is based on a 20-pupil figure, maximum class size, not average. This is maximum class size, and while the results, just take elementary schools, take the key area of reading, the results are not a third better than schools with larger classes, but they are about 15-percent better, and in terms of educational improvements, and when you take the research, study, and everything, this is rather dramatic.

Now, what people misunderstand, or refuse to accept, is this, that American schools have been educating the easy to educate, and it is cheaper to educate the easy to educate.

As our times demand that we educate the blacks and the browns and other minority groups that have never been educated in this country in the proper proportion, as we go on out to educate the harder to educate, it is going to cost more on a per child basis per hour, not only just in total amounts.

We tend to think in industrial terms, that in mass production, the bigger, the more that you make economies of skill, but in dealing with education, it will be just the reverse.

The further you go out on the percentiles of difficulty of education, the more it is going to cost per child.

Mr. Quie. Well, we have talked about assumptions, and you indicated in yours that there is an assumption built in that as we go to a class of 20, that we have superior education, but there may be other factors.

With handicapped children, there has been some excellent studies to show that optimum size is no more than eight, and others show that you can go up to 15.

You are talking about education of a normal child, where it seems to me you have the assumption of 20.

It may be it should be 15 instead of 20, but I am looking for statistical information.

Mr. Selden. You asked for an example, and I gave you one. The more effective school projects are in New York City.

Mr. Quie. If you could do that in the evaluation of the size, let me know.

The other thing you mentioned here is the average expenditure per child ought to be $1,600. Would the average now be something between $900 and $1,000?

Mr. Selden. Closer to $900.

Mr. Quie. So this would be a substantial increase.

In your recommendation, have you broken this down to the amount that ought to be increased for elementary school, and the amount for high school? In your green booklet, "Money and the Marginal Child," you make an excellent point, that if we are going to help the disadvantaged child, we will spend more on him.

Have you broken that $1,600 down so that we know the difference in the categories?

Mr. Selden. Well, the $1,600 figure would be derived from the study, which we commissioned, and we took considerable time and effort in that study.

On the basis of that study, 4 years ago, Congressman Perkins, the chairman of the House Committee on Education and Labor, was interested enough to introduce a bill.

Since we are dealing with units of government, school districts, and as the Congressman, I know of his advocacy of block grants, is not too much interested in the specific direction where that should go, whether it should go to elementary, or what kinds of schools and so on——

Mr. Quie. May I interrupt? My recommendation for block grants is to give it to the States and let them run it the way they want to, but I believe there are still some things you have to follow through on, like handicapped children. I do not think they can be cut off.

I do not think the disadvantaged children can be cut loose and run on their own.

Mr. Selden. We may be closer to agreement than I thought then.

Now, I grant you, it probably should be a lot higher than $1,600. Vocational education is a lot more expensive than academic education in high school, and vocational education needs a great deal of improvement.

It may be we ought to give more emphasis in our study, but we approach the thing from, I think, a conservative way, and considered school districts, and States rather than types of programs, but we did say in the legislation, that when the State educational fund is amassed through whatever means of revenue, partly Federal aid, partly State income from the best taxes we can get, when that is done, then that should be passed out to school districts, not on an equal per child basis, but on a basis of educational need.

We know, if anything, we know from our research is that children from economically deprived backgrounds, who are the most difficult to educate, and needs it the most, and that costs more money, and some school systems should receive their funds on the basis of that measure of educational need.

I might say that we are strong supporters of title I, and also the full-funding concept.

We think that title I is the fairest program, that is now on the books, and if you are going to do anything at all, we would advocate that you go up to full funding on title I, and not leave it at its present starvation level.

Mr. Quie. Let us look at full funding of programs we presently have operating. I am wondering if we will ever fully fund, unless we designate a tax at the Federal level for that particular purpose.

We did that in Minnesota. We earmarked the income tax for education. I do not think we would have done as well for State aid to education if we would not have earmarked the income tax in that way.

I notice you recommend again in your green booklet here, on the last page, that the States be permitted to levy an educational surcharge tax on income tax. This would require the Ways and Means Committee to come into the picture. I do not share the view, that we ought to go to the Ways and Means Committee, if we are going to help education.

Mr. Selden. I think when it comes to States granting tax resources, that it is a Ways and Means proposal. I am only an individual who has written a pamphlet, and the very sections of that pamphlet, which would fall under various committees of Congress for their consideration.

I am not well versed enough to know which one would have which one, but I should think a taxation matter would be before Ways and Means.

Mr. Quie. Let me ask this last question. Now, we get into the argument, whether there ought to be a value added tax. I think there are a great number of people who consider a sales tax better than a property tax, when we think of the old people who are driven out of their homes because of the property tax.

Mr. Selden. I wish I had a dollar for all of the corporations that have been saved by the widows and orphans.

Mr. Quie. If you could earmark money out of the income tax, would you find that acceptable?

Mr. Selden. Well, I would prefer not to. It would be better than the value-added tax. I think of how the Federal Government raises its money for all its purposes is an overall question, not just involving education, and it should raise its money in the most progressive way consistent with the amount of money which needed to be raised.

Mr. Quie. I would like to say as a person who has observed the operation of the Federal Government in the educational field, if we depend on just appropriations, without any special tax for educational expenditures, I doubt we will ever come up with the level that your people suggest.

I set the level for my own thinking, so I could have a goal of 25 percent.

This is as a conservative Republican. I doubt we will ever get that, unless we set some tax aside for it, because in my particular area, there are other demands that are very great, such as environment in the past 2 years.

Mr. Ford. Will the gentleman yield?

Mr. Selden. Well, I have been through this thing so many times before.

I have made many proposals for spending money on education, because I do not think we can bring about significant improvement on education without paying for it, but politics being what it is, I am getting a little weary.

I remember years ago on trying to get increased appropriations for education in New York City. I suggested the city go for a piggyback tax, a surtax on the State income tax.

Instead, it was chosen to raise the sales tax by then a percent, and I notice today, in this morning's Times, New York City, that New York City is in a crisis, where if a more adaptable and flexible surtax method had been chosen in that instance, I think they would have a lot less problem today, and it is just arguing about rates there, and somewhere a compromise would be found.

Now, there is something to be said for that, there is something to be said for putting a gasoline tax back into the roads, I suppose, but generally speaking, it hurts me to go for the earmarked tax.

Students of government, which I am one in a modest way, realize that tax earmarking, it is just about as bad as giving the sheriff the fees he gets from the fines that are levied. It is an outmoded system of government that can lead to a great deal of harm.

Mr. Bell. Mr. Chairman——

Mr. Quie. The gentleman from California asked me first.

Mr. Bell. I have a statement here on inequity of school financing written by Joel S. Berke and John C. Callahan. On page 28, it shows a diagram, which I think is an example of what I said earlier, of what might result from a State assumption of school costs with equalized taxes and equal distribution in San Francisco.

This is just to give you an example. In 1970, San Francisco spent $709 per pupil. In a statewide plan of taxation, according to this statement, taking the 2.9-percent total State income distributed equally, the result would be an expenditure per pupil of only $435 in San Francisco.

On the other hand, if 2.9 percent were retained in San Francisco, it would increase the per pupil expenditure to $871.

Now, these are just examples.

Mr. SELDEN. I do not find that astonishing. I said I did not think you would find that very palatable, because people that live in San Francisco have more money, and they will pay more taxes.

Mr. BELL. I would like to request of the chairman, unanimous consent that this document be placed in the record.

Mr. PUCINSKI. There being no objection, so ordered.

(The document referred to follows:)

INEQUITIES IN SCHOOL FINANCE: IMPLICATIONS OF THE SCHOOL FINANCE CASES AND PROPOSED FEDERAL REVENUE SHARING PROGRAMS

(By Joel S. Berke, Syracuse University Research Corporation, and John C. Callahan, University of Virginia)

SUMMARY

American educational finance is characterized by inequities both in the way it distributes educational services and in the way it allocates the burdens of paying for these services. In particular, large central cities are among the areas that are consistently denied educational resources in proportion to their need despite higher overall tax effort than in neighboring jurisdictions.

Recent court cases which have invalidated systems of state finance for public education as violations of the 14th Amendment are unlikely to change such inequitable patterns of resource distribution. If states assume the financing of the current local share of educational revenues through broadbased, proportional rather than progressive taxes, cities will pay more for education than they do at present. If states distribute those revenues back to localities in equal per pupil amounts, cities will frequently get less from the state redistribution than they currently spend from local sources. It is entirely possible that revisions in state finance that come in the wake of the new legal doctrines may result in higher taxes and lower or at best no greater educational expenditures for urban education.

We believe, therefore, that any program of federal revenue sharing that is designed to reach the most serious fiscal problems of American public education must be focused on the special fiscal problems of education in large cities and in other areas of relatively low fiscal capacity for raising educational revenues and high incidence of need for costly educational programs.

Such legislation might include a larger proportion of aid being siphoned through the Title I formula or through a formula that would permit states to utilize statewide attainment or aptitude test results as a means of focussing resources where the problems are the greatest. Provisions requiring states to move toward the standard that higher local wealth may not permit higher educational expenditures would also be appropriate to even out the disparities which characterize current finance patterns. But any provision for educational revenue sharing which would permit states to distribute federal educational revenues according to the historic patterns of state aid would be disastrous in our eyes. The existence of the impetus toward change which Serrano, Van Dusartz, and Rodriguez have given are no assurance—as our analysis indicates—that new money will be distributed in order to assure greater equality of educational opportunity or greater responsiveness to fiscal need.

INTRODUCTION

This paper grows out of a series of research efforts that the authors have been engaged in over the past few years, both jointly, individually, and with other colleagues. Most directly, this paper is based upon two current studies, an examination of the legal and fiscal dimensions of inequalities of educational opportunity and an analysis of the 1970 Census data on financial and demographic trends in the largest metropolitan areas of the nation. While the sources of our findings are therefore varied and involve a variety of methodological techniques, the policy implications seem to us to be eminently clear, and may be stated rather simply as follows.

First, American educational finance is characterized by inequities both in the way it distributes educational services and in the way it allocate the burdens of paying for these services. In particular, large central cities are among the areas that are consistently denied educational resources in proportion to their need despite higher overall tax effort than in neighboring jurisdictions. Second, recent court cases which have invalidated systems of state finance for public education as violations of the 14th Amendment are unlikely to change such inequitable patterns of resource distribution. Indeed, it is entirely possible that revisions in state finance that come in the wake of the new legal doctrines may result in higher taxes and lower or at best no greater educational expenditures for urban education. Third, we believe, therefore, that any program of federal revenue sharing that is designed to reach the most serious fiscal problems of American public education must be focussed on the special fiscal problems of education in large cities and in other areas of relatively low fiscal capacity for raising revenues and high incidence of need for costly educational programs.

I. INEQUITIES IN FINANCING THE PUBLIC SCHOOLS

The current approach to financing America's public school is characterized by inequality of educational opportunity and inequity in the distribution of the burden of supporting educational services. This inequality and inequity stems not simply from the fact that there are marked differences in the quality of education among the schools, school districts, states and regions of the nation. Rather, what makes those disparties inequitable is that the students who receive the highest quality education are frequently those from the most advantaged backgrounds while those who come from the most impoverished communities and most disadvantaged social backgrounds often receive no more and frequently far less in the quality of educational services as measured by per pupil expenditures. Further, under our archaic system of distributing the costs of education, we find that communities which are the most hardpressed to raise revenues for public services in general or for education in particular are the same communities which have the highest educational burdens to support, while those communities whose needs for the total package of public services is less or where property tax bases are higher than their neighbors' frequently tax themselves far less yet provide superior educational services.

Interstate and Intrastate Disparities in Educational Expenditures

Let us disentangle the various elements of our argument and document each count of the indictment we have just made. First, the disparities in educational quality as measured by the level of expenditures on education.

Among the states, average expenditures currently range from a high of approximately $1,400 to a low of less than $500. (See Table 1). While such statistics appear to be of major current interest, they are really exceedingly difficult to interpret because of the immense variety in the educational finance systems of the fifty states and because state averages by definition mask the range of disparities by averaging out high and low districts. In some states, substantial costs for fringe benefits or for school health services may be borne by some jurisdiction other than the school system and so may not appear in average school expenditure statistics. In some states, all school districts may be spending in a very narrow range of variation while in other states there may be vast disparities among the quality of education within the state, yet the two states may appear quite similar when the average state expenditure is computed.

TABLE I.—CURRENT EXPENDITURE PER PUPIL IN ADA, PUBLIC ELEMENTARY AND SECONDARY SCHOOLS, BY STATE

State 1	Expenditure per pupil in ADA, 1970 71 2	Percent of U.S. average 3	Percent change, 1960 61 to 1970 71 4
Alaska	$1,429	170.3	156.1
New York	1,370	163.3	134.2
New Jersey	1,088	129.7	112.5
Vermont	1,088	129.7	210.9
Hawaii	1,050	125.1	214.4
Iowa [1]	1,004	119.7	160.1
Connecticut	997	118.8	117.7
Wisconsin	988	117.8	131.4
Maryland	974	116.1	131.9
Delaware	954	113.7	105.2
Rhode Island	951	113.3	125.9
Pennsylvania	948	113.0	124.1
Illinois	937	111.7	92.0
Oregon	935	111.4	104.6
Wyoming	927	110.5	80.2
Washington	873	104.1	103.0
Minnesota	864	103.0	99.1
Michigan	858	102.3	101.4
Montana	858	102.3	99.1
Arizona	825	98.3	101.7
Louisiana	808	96.3	107.7
Nevada	804	95.8	85.7
Virginia	800	95.4	190.9
California	799	95.2	74.8
Colorado	780	93.0	92.6
Ohio	778	92.7	85.7
Kansas	771	91.9	97.7
Florida	765	91.2	138.3
Maine	763	90.9	150.2
Missouri	761	90.7	1[illegible]5.2
Indiana	741	88.3	98.1
Massachusetts	735	87.6	69.0
New Hampshire	729	86.9	98.1
New Mexico	713	85.0	95.9
North Dakota	689	82.1	83.7
South Dakota	688	82.0	85.9
West Virginia	684	81.5	151.5
Nebraska	683	81.4	96.3
South Carolina	656	78.2	185.2
Texas	646	77.0	95.2
Utah	643	76.6	102.2
North Carolina	642	76.5	166.4
Georgia	634	75.6	148.6
Kentucky	621	74.0	150.4
Oklahoma	605	72.1	89.1
Idaho	595	70.9	98.3
Tennessee	590	70.3	152.1
Arkansas	578	68.9	141.3
Mississippi	521	62.1	142.3
Alabama	489	58.3	98.8
United States	839	100.0	113.5

[1] Includes expenditures for area vocational schools and junior colleges.

Source: National Education Association, Research Division, Estimates of School Statistics, 1961 62, Research Report 1961 R22, Washington, D.C.: the Association, 1961, p. 29, 31. National Education Association, Research Division, Estimates of School Statistics, 1970 71, Research Report 1970 R15, Washington, D.C.: the Association, 1970, p. 37.

A second and somewhat more meaningful look at the disparities in educational offerings in the nation, however, is to examine the range of spending among school districts of each state. (Table II) Table two shows the high and low expenditure districts in the forty-nine states with local school districts. Here we begin to reach a somewhat more meaningful unit of analysis, since there is far greater uniformity of the elements being compared within a given state than between states and also because there is in actuality far more competition among pupils in a given state than there is between pupils from, say, New York and Wyoming. Within a state, the student getting a better education may well be competing in a job market against the student whose school system gives him less effective training, and the inequalities in educational offering become more than an abstract unfairness.

TABLE II.—INTRASTATE DISPARITIES IN PER PUPIL EXPENDITURES 1969-70

	High	Low	High-Low Index
Alabama	$581	$344	1.7
Alaska	1,810	480	3.8
Arizona	2,223	436	5.1
Arkansas	664	343	2.0
California	2,414	569	4.2
Colorado	2,801	444	6.3
Connecticut	1,311	499	2.6
Delaware	1,081	633	1.7
District of Columbia			
Florida	1,036	593	1.7
Georgia	736	365	2.0
Hawaii			
Idaho	1,763	474	3.7
Illinois	2,295	391	5.9
Indiana	965	447	2.2
Iowa	1,167	592	2.0
Kansas	1,831	454	4.0
Kentucky	885	358	2.5
Louisiana	892	499	1.8
Maine	1,555	229	6.8
Maryland	1,037	635	1.6
Massachusetts	1,281	515	2.5
Michigan	1,364	491	2.8
Minnesota	903	370	2.4
Mississippi	825	283	3.0
Missouri	1,699	213	4.0
Montana Average of groups	1,716	539	3.2
Nebraska Average of groups	1,175	623	1.9
Nevada	1,679	745	2.3
New Hampshire	1,191	311	3.8
New Jersey 1968-69	1,485	400	3.7
New Mexico	1,183	477	2.5
New York	1,889	669	2.8
North Carolina	733	467	1.4
North Dakota County Averages	1,623	686	2.3
Ohio	1,685	413	4.0
Oklahoma	2,566	342	7.5
Oregon	1,432	399	3.5
Pennsylvania	1,401	484	2.9
Rhode Island	1,206	531	2.3
South Carolina	610	397	1.5
South Dakota	1,741	350	5.0
Tennessee	700	315	2.4
Texas	5,334	264	20.2
Utah	1,515	533	2.3
Vermont	1,517	357	4.2
Virginia	1,126	441	2.6
Washington	3,406	434	7.8
West Virginia	722	502	1.4
Wisconsin	1,432	344	4.2
Wyoming	14,554	618	23.2

For New Jersey data are for FY 69 since FY 70 data were not yet available.

For Alaska data represent revenue per pupil.

For Montana and Nebraska data are high and low of average for districts grouped by size.

For North Dakota data are average of expenditures of all districts within a county.

Data are not fully comparable between States since they are based entirely on what the individual State included in their expenditure per pupil analysis.

Source: State Reports and Verbal contacts with State Officials. U.S. Senate Select Committee on Equal Educational Opportunity.

While as was the case with the interstate comparisons there are numerous methodological difficulties, the main thrust of the table is clear: school expenditures vary markedly within individual states, and indeed vary far more within states than they do among state averages. While the extreme instances of relationships of the highest expenditure district spending 20 times the lowest expenditure district per pupil as in Texas are exceedingly anomolous situations usually reflecting very small school districts at the high end, disparities of two to one are characteristic in most states and variations of three, four and five to one not at all unusual. What these figures say, in short, is that states spend far more on the education of some of their students than they do on others. Are those differences contrasts in the quality of education or just in its cost?

Expenditures and the Quality of Education

Cost differentials account for some of the differences in expenditure; different salary levels for teachers of equal quality may explain away another portion of the disparity. Yet after all the discounts are made, one is left with the belief that disparities of these magnitudes must imply substantial differences in the quality of education received by students within each state. Two tables of statistics may shed some slight light on this question. Table III shows disparities between central cities and their "best" surrounding suburban systems in terms not only of dollars but of pupil teacher ratios. While it may be difficult to prove statistically that marginally smaller classes improve education, try asking any student whether he learns more in smaller or larger classes. In any event, the differences in this table are not marginal—they average about one third, and demonstrate, we submit, a linkage between expenditures and quality.

TABLE III.—COMPARISON OF PUPIL TEACHER RATIO IN SELECTED CENTRAL CITIES AND SUBURBS, 1967 [1]

City and suburb	Pupil/teacher ratio	Per pupil expenditures
Los Angeles	27	$601
Beverly Hills	17	1,192
San Francisco	26	693
Palo Alto	21	984
Chicago	28	571
Evanston	18	757
Detroit	31	530
Grosse Pointe	22	713
St. Louis	30	525
University City	22	747
New York City	20	854
Great Neck	16	1,391
Cleveland	28	559
Cleveland Heights	22	703
Philadelphia	27	617
Lower Merion	20	733

[1] Taken from: The Urban Education Task Force Report (Wilson C. Riles, Chairman), New York, N.Y.: Praeger Publishers, Inc., 1970.

Source: Gerald Kahn and Warren A. Hughes, "Statistics of Local Public School Systens," 1967, National Center for Educational Statistics, U.S. Office of Education.

Table IV makes the same point another way. Drawn from an evidentiary affidavit in the most recently successful school finance case, it shows the variation indicators of school quality among the range of types of school districts in the San Antonio area of Texas. What is clear is that the district spending $595 per pupil compared with the districts spending $394 and $356 per pupil pay higher salaries, have more teachers with advanced training, have less uncertified teachers, have more counselors proportional to its number of students, and have more professional personnel of all kinds relative to the number of students. While any one of these factors in itself, it may be argued, does not mean higher quality education, it seems to us that a reasonable inference from the consistency in these five quality variables is that the higher expenditure school districts are also offering higher quality education.

TABLE IV.—THE RELATIONSHIP BETWEEN DISTRICT WEALTH AND EDUCATIONAL QUALITY—TEXAS SCHOOL DISTRICTS CATEGORIZED BY EQUALIZED PROPERTY VALUATION AND SELECTED INDICATORS OF EDUCATIONAL QUALITY

Selected districts from high to low by market value per pupil [1]	Total revenues per pupil [2]	Professional salaries per pupil [3]	Percent teachers with masters degrees [4]	Percent of total staff with emergency permits [5]	Counselor student ratios [6]	Professional personnel per 100 pupils
Alamo Hights	$595.00	$372.00	40	11	645	4.80
North East	468.00	288.00	24	7	1,516	4.50
San Antonio	422.00	251.00	29	17	2,320	4.00
North Side	443.00	258.00	20	17	1,493	4.30
Harlandale	394.00	243.00	21	22	1,800	4.00
Edgewood	356.00	209.00	15	47	3,098	4.06

[1] Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.
[2] Ibid.
[3] Ibid.
[4] U.S. District Court, Western District of Texas, San Antonio Division, "Answers to Interrogatories," civil action No. 68-175-SA.
[5] Ibid.
[6] Ibid.

Note: Table from evidentiary affidavit of Joel S. Berke in "Rodriguez v. San Antonio School District."

This paper will not address to any substantial extent the disparities in expenditures among schools within a given school district. Data in that area is rare and untrustworthy. However, one intensive study conducted of three large school districts in New York State, and several other studies in other areas, suggest that while disparities do exist, they are relatively mild in expenditure terms, seldom reaching more than one third greater expenditures in the highest spending schools viz a viz the lowest expenditure schools, although there are significant differences in the training and seniority of staff in different schools.

Disparities and Need

While disparities may in themselves raise questions about the equity of school finance, we believe they are relatively unimportant in and of themselves. Disparities become inequities in our eyes only when they are related to some concepts of educational and fiscal need. To the authors of this paper, an equitable system would be one in which greater educational resources would be allocated to those students who come to school with the greatest learning problems and the greatest social disadvantage. Equal educational opportunity, in other words, means to us an allocation of educational services that is intended to make it possible, at least insofar as schools are capable of so doing, for pupils from low socio-economic backgrounds to compete equally for higher educational and job opportunities with those who come from more advantaged walks of life. Our reading of the current allocation of educational services suggests that this is not the prevailing pattern, and that indeed the prevailing pattern is one which may best be described as one in which "them as has, gits."

Furthermore, not only do we maintain that the distribution of educational services denies equal educational opportunity; we maintain that the costs of those services take a greater toll from those less able to pay than it does from those who are better off. For purposes of this paper we will confine our analysis to the comparative fiscal capacity among jurisdictions rather than among individuals, but we believe analysis would show that the same pattern holds for individuals as well as for jurisdiction.

The Special Fiscal Problems of Large Central Cities

The mismatch bewteen educational resources and educational and fiscal need for those resources may be seen most clearly in the large central cities of the nation, particularly those in the northeast and midwest. This is not to say that other areas, some suburban and some rural, do not exhibit some of the same problems facing central cities. What does seem clear, however, is that the problems are sharpest and most easily seen in the older metropolises of the nation.

There is a rather substantial literature that documents the relationship between low income and ethnic minority status on the one hand and educational disadvantage on the other. In terms both of non-white population and proportion of low income families, large central cities lead their surrounding areas by substantial proportions. In the thirty-seven largest mertopolitan areas, central cities average better than 20% black population, while the outlying areas have approximately 5%. The percentage of non-white students in the schools is considerably higher than that in the general population in the cities due to the high proportion of white students in non-public schools and because of larger proportions of non-white families with children in core cities. The results may be seen in Table V. While Chicago, for example, had a 28% non-white population, it had a 52% non-white public school population; Washington, with a 66% general population proportion non-white had an 88% non-white school enrollment.

Concentrations of low income families, children from which tend to have lower school achievement levels, also constitute a higher proportion of central city populations than in suburban populations. While the variety among suburbs is marked, the general tendencies come through loud and clear. Particularly in the largest metropolitan areas of the northeast and midwest, considerably higher proportions of families earn under $3,000 in central cities than in the rest of the metropolitan area. In short, students who are apt to present special learning problems, and whose education presumably requires higher resource inputs in terms of teaching and counseling time and special programs to compensate for environmental disabilities are present in city populations far more than in their environs.

Cities also have higher costs for providing education that relate to the prices they must pay for the things schools must purchase. Land acquisition costs, insurance rates, vandalism expenses, and non-professional personnel cost all reflect higher costs of living in central cities. But bulking largest in school budgets are costs for instructional personnel, and here a combination of factors has pushed central city costs well above those in suburbs. Several studies are currently in progress which will document this pheonomenon, but its elements may be stated although the tables are not yet available for release. Teacher unions have increased urban salaries faster than in outlying regions, particularly by shortening the time required to reach maximum pay rates. Thus although starting salaries may be comparable, cities have higher average teacher costs because there are fewer steps in the upward scale. A second pheonomenon, that of the upward pressure exhibited because of greater public employee unionism in non-educational services, also has its impact. Sanitationmen, firemen, police, civil service employees all bid up public pay scales in cities in a familiar round of "look how much the ——— are getting." In suburban areas, this militant competition is far less prevalent because of lower service levels and less union organization.

Higher costs in the school system are but a part of the overall financial problem of the central cities. Perhaps their greatest problem in raising educational revenues derives from the far higher costs they must bear for general public services than much less densely populated areas. The roll of urban public needs need not be called; Let some simple overall statistics summarize. While central cities in the largest metropolitan areas average $600 per capita in total local public expenditures for all services, regions outside the central cities in those metropolitan areas average only $419 per person. (Table VI) Thus the tax dollar in the city must support a far heavier burden for non-education services in cities with education dollars far harder to raise than in suburbs. The result is that while roughly 30% of city expenditures are educational, suburbs could devote more than 50% of their budgets to their schools. (Table VII) The implications of this seem to us to be at least two. Most obviously, the pressure for general public services makes it more difficult for cities to meet their pressing educational needs than it is for the suburbs.

TABLE V.—NONWHITE POPULATION CONTRASTED WITH NONWHITE SCHOOL ENROLLMENT FOR 15 LARGEST CITIES, 1960 AND 1965

City	Percent nonwhite of total population		Percent nonwhite of school population	
	1960	1965[1]	1960	1965
New York	15	18	22	28
Chicago	24	28	40	52
Los Angeles	17	21	21	21
Philadelphia	27	31	47	55
Detroit	29	34	43	56
Baltimore	35	38	50	61
Houston	23	23	30	31
Cleveland	29	34	46	49
Washington	55	66	78	88
St. Louis	29	36	49	60
Milwaukee	9	11	16	21
San Francisco	18	20	31	43
Boston	10	13	16	26
Dallas	19	21	26	27
New Orleans	37	41	55	63

[1] Nonwhite figures based on 1960 ratio of Negroes to total nonwhite population applied to 1965 Negro population.

Source: U.S. Department of Health, Education, and Welfare, Office of Education, National Center for Educational Statistics, Division of Statistical Analysis, Reference, Estimates and Projections Branch; and Seymour Sacks, Educational Finance in Large Cities, forthcoming (Education in Large Cities Series), Syracuse University Press, 1970. U.S. Bureau of the Census, Statistical Abstract of the United States, 1968, 89th ed. (Washington, D.C. 1968).

From: Alan K. Campbell and Donna E. Shalala, The States and the Urban Crisis, Englewood Cliffs: Prentiss Hall, 1970, p. 10.

TABLE VI.—PER CAPITA TOTAL EXPENDITURES, 1957 AND 1970

	1957		1970	
	CC[1]	OCC[2]	CC	OCC
Northeast:				
Washington, D.C	$239	$131	$1,006	$425
Baltimore, Md	199	142	638	349
Boston, Mass	273	181	531	365
Newark, N.J	243	181	735	441
Patterson-Clifton-Passaic, N.J	155	187	381	381
Buffalo, N.Y	193	210	528	520
New York, N.Y	257	260	894	644
Rochester, N.Y	200	196	699	548
Philadelphia, Pa	165	138	495	325
Pittsburgh, Pa	188	128	450	309
Providence, R.I	160	99	392	265
Midwest:				
Chicago, Ill	202	142	473	352
Indianapolis, Ind	178	107	355	306
Detroit, Mich	202	200	474	462
Minneapolis, St. Paul, Minn	185	188	540	520
Kansas City, Mo	186	112	485	347
St. Louis, Mo	149	124	463	292
Cincinnati, Ohio	246	117	761	262
Cleveland, Ohio	183	193	512	371
Columbus, Ohio	166	156	398	290
Dayton, Ohio	167	129	434	285
Milwaukee, Wis	229	210	562	456
South:				
Miami, Fla	226	169	481	387
Tampa-St. Petersburg, Fla	159	89	362	300
Atlanta, Ga	158	100	554	315
Louisville, Ky	162	114	508	302
New Orleans, La	163	120	334	325
Dallas, Tex	184	108	352	379
Houston, Tex	155	187	305	307
San Antonio, Tex	113	104	244	258
West:				
Los Angeles-Long Beach, Calif	267	203	624	529
San Bernardino, R., O., Calif	296	192	624	529
San Diego, Calif	191	189	484	472
San Francisco-Oakland, Calif	223	230	768	596
Denver, Colo	214	147	502	306
Portland, Oreg	203	131	486	328
Seattle-Everett, Wash	174	142	524	471
Total	196 (212)	155 (170)	523 (600)	384 (419)

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[1] Central cities of standard metropolitan statistical areas.

[2] Areas in metropolitan areas outside the central cities; i.e., the suburban ring.

TABLE VII.—EDUCATION EXPENDITURES AS A PERCENT OF TOTAL EXPENDITURES—1957 AND 1970

[In percent]

	1957		1970	
	CC	OCC	CC	OCC
Northeast:				
Washington, D.C.	21	64	26	57
Baltimore, Md	30	50	35	62
Boston, Mass	19	37	26	49
Newark, N.J	31	49	29	47
Patterson-Clifton-Passaic, N.J	36	52	37	52
Buffalo, N.Y	27	47	31	50
New York City, N.Y	25	54	24	52
Rochester, N.Y	27	47	32	59
Philadelphia, Pa	30	52	35	63
Pittsburgh, Pa	22	50	34	58
Providence, R.I	38	60	35	55
Midwest:				
Chicago, Ill	24	61	33	57
Indianapolis, Ind	35	70	41	63
Detroit, Mich	30	57	37	57
Minn., St. Paul, Minn	30	51	29	55
Kansas City, Mo	34	49	35	56
St. Louis, Mo	31	57	38	64
Cincinnati, Ohio	33	47	45	50
Cleveland, Ohio	27	44	41	53
Columbus, Ohio	31	60	33	62
Dayton, Ohio	28	61	38	60
Milwaukee, Wis	22	41	33	55
South:				
Miami, Fla	31	41	42	52
Tampa-St. Petersburg, Fla	30	56	45	54
Atlanta, Ga	35	53	39	61
Louisville, Ky	38	62	48	70
New Orleans, La	28	33	38	38
Dallas, Tex	35	59	40	56
Houston, Tex	42	67	46	60
San Antonio, Tex	43	84	50	77
West:				
Los Angeles-Long Beach, Calif	37	46	31	43
San Bernardino, Redlands, Ontario, Calif	50	42	42	44
San Diego, Calif	38	48	38	48
San Francisco-Oakland, Calif	29	49	27	44
Denver, Colo	34	50	34	64
Portland, Oreg	37	61	39	65
Seattle-Everett, Wash	33	61	29	58
Total	32 (29)	53 (51)	36 (31)	56 (53)

But more important for the workings of school finance formulas, it suggests that the usual measure of the capacity of a district to support educational services should take into account this consistent urban pattern. One of the reasons for the lower levels of state aid that have traditionally gone to central cities has been the fact that formulas measuring comparative need were based on the per pupil value of taxable real property in the school district. Since cities tend to have tax bases equal to or greater than their neighbors when computed on this basis, equalizing aid formulas helped the outside and rural areas more than the "richer" cities. But when one takes into account the greater variety of claims against the urban tax base noted above, realistic state aid formulas should use a more meaningful measure of fiscal capacity if they are to recognize the unique plight of the large cities. One method would be to reduce the effective capacity for education by discounting the tax base by the proportion that goes for non-educational functions. Another approach is to divide the tax base by total population rather than students, thus recognizing that education, like all other public services, is a public good of benefit to the entire community, not just the pupils, and that the measure of wealth related to all the citizens, not just to students. The effect of per capita measures rather than per pupil is to depress the apparent wealth of central cities and is another means of recognizing the familiar problem of municipal overburden.

A third approach to the problem of recognizing the special urban fiscal problem might be to take into account the greater tax effort of cities by utilizing their total tax rate (taxes for all local public services) when computing their effort rather than simply their educational taxes. The result would be to show that suburban tax rates for education and for all other services were only 80% of those in the large core cities. (Table VIII and IX) To date, state aid formulas have not adopted techniques to recognize these urban financial problems, although they have been proposed for some time by fiscal reformers.

TABLE VIII.—PER CAPITA TAXES, 1957 AND 1970

	1957		1970	
	CC	OCC	CC	OCC
Northeast:				
Washington, D.C.	$185	$75	$516	$231
Baltimore, Md	105	62	221	195
Boston, Mass	161	116	369	263
Newark, N.J	178	139	352	294
Paterson-Clifton-Passaic, N.J	118	116	221	278
Buffalo, N.Y	116	112	236	238
New York City, N.Y	167	153	384	356
Rochester, N.Y	122	119	272	240
Philadelphia, Pa	115	74	250	180
Pittsburgh, Pa	113	68	294	161
Providence, R.I	109	73	196	165
Midwest:				
Chicago, Ill	138	99	244	251
Indianapolis, Ind	106	68	226	151
Detroit, Mich	127	95	255	210
Minneapolis, St. Paul, Minn	115	75	227	152
Kansas City, Mo	105	69	253	157
St. Louis, Mo	98	75	267	174
Cincinnati, Ohio	137	65	251	134
Cleveland, Ohio	106	98	296	230
Columbua, Ohio	80	72	198	162
Dayton, Ohio	126	52	264	143
Milwaukee, Wis	126	104	306	179
South:				
Miami, Fla	132	94	221	160
Tampa-St. Petersburg, Fla	78	47	170	95
Atlanta, Ga	98	44	252	122
Louisville, Ky	92	59	181	119
New Orleans, La	62	38	148	93
Dallas, Tex	101	43	211	107
Houston, Tex	85	70	181	172
San Antonio, Tex	54	26	102	77
West:				
Los Angeles-Long Beach, Calif	155	102	329	272
San Bernardino, Redlands Ontario, Calif	141	81	261	257
San Diego, Calif	93	76	206	198
San Francisco-Oakland, Calif	140	111	436	305
Denver, Colo	131	68	272	180
Portland, Oreg	135	66	260	153
Seattle-Everett, Wash	81	48	203	163
Total	117 (132)	80 (93)	258 (289)	190 (223)

TABLE IX.—TAXES AS A PERCENT OF INCOME, 1957 AND 1970

[In percent]

	1957		1970	
	CC	OCC	CC	OCC
Northeast:				
Washington, D.C	9.7	4.2	11.3	4.9
Baltimore, Md	6.1	4.0	8.0	5.1
Boston, Mass	9.2	6.1	11.6	6.4
Newark, N.J	13.3	6.5	10.1	6.0
Patterson-Clifton-Passaic, N.J	7.5	6.1	6.3	6.3
Buffalo, N.Y	7.2	7.1	7.1	8.8
New York City, N.Y	10.2	6.7	9.5	7.7
Rochester, N.Y	6.8	6.4	7.2	5.8
Philadelphia, Pa	6.5	4.7	7.7	4.7
Pittsburgh, Pa	6.9	4.8	8.7	4.7
Providence, R.I	7.0	4.7	5.8	5.0
Midwest:				
Chicago, Ill	7.4	4.0	6.4	5.6
Indianapolis, Ind	6.3	6.0	6.2	4.5
Detroit, Mich	7.0	5.3	7.0	5.4
Minneapolis, St. Paul, Minn	6.3	6.2	5.9	4.0
Kansas City, Mo	4.9	5.2	7.5	4.0
St. Louis, Mo	7.3	4.2	9.1	4.8
Cincinnati, Ohio	7.7	4.6	7.1	3.9
Cleveland, Ohio	7.3	5.6	9.6	5.2
Columbus, Ohio	5.1	5.2	5.6	4.4
Dayton, Ohio	8.0	4.9	8.2	3.6
Milwaukee, Wis	8.2	4.4	8.9	4.4
South:				
Miami, Fla	8.2	5.5	7.6	4.5
Tampa-St. Petersburg, Fla	6.3	4.4	3.6	
Atlanta, Ga	5.2	4.0	7.1	3.3
Louisville, Ky	5.2	3.5	5.7	3.4
New Orleans, La	4.0	2.5	4.8	3.0
Dallas, Tex	4.8	3.5	5.5	3.2
Houston, Tex	4.8	6.8	5.1	5.6
San Antonio, Tex	(1)	(1)	4.0	2.4
West:				
Los Angeles-Long Beach, Calif	7.2	9.4	7.9	6.8
San Bernardino, Redlands, Ontario, Calif	8.1	8.8	7.6	8.5
San Diego, Calif	5.7	6.4	5.7	5.9
San Francisco-Oakland, Calif	7.8	7.7	10.5	7.5
Denver, Colo	6.8	6.1	7.4	5.4
Portland, Oreg	6.7	5.3	7.0	4.5
Seattle-Everett, Wash	4.3	5.0	5.1	4.4
Total	7.0 (7.6)	5.4 (5.6)		

[1] Not available.

The result of all this is that despite their more costly student populations, their higher costs for things that schools must purchase, and their difficulty in freezing dollars from other urban functions to use for education, central cities in many areas spend less than their suburban neighbors and at best do slightly better than breaking even. Given the massive costs which have been estimated for effective compensatory educational programs, the cities are receiving grossly inequitable treatment in relation to their greater educational and fiscal needs. (See Table X).

One interesting table drawn from a recent study of New York State shows the problem graphically. It divides city and non-city school districts of similar per pupil property valuation, and shows that in virtually every cell of the table, cities have lower educational tax rates but higher total tax rates, receive generally less state aid and end up with somewhat lower expenditures for a pupil population that has more than twice as many children scoring at least two grade levels behind the state norm in reading, and more than three times as many children from families receiving AFDC payments. (Table XI)

TABLE X.—PER CAPITA AND PER PUPIL EDUCATIONAL EXPENDITURES, 1970

	Per capita		Per pupil	
	CC	OCC	CC	OCC
Northeast:				
Washington, D.C.	$261	$244	$1,325	$1,021
Baltimore, Md	222	215	1,042	960
Boston, Mass	139	177	952	665
Newark, N.J	216	205	1,069	1,030
Patterson-Clifton-Passaic, N.J	141	197	849	1,000
Buffalo, N.Y	165	261	933	1,155
New York City, N.Y	215	332	1,504	1,419
Rochester, N.Y	225	325	1,415	1,371
Philadelphia, Pa	174	203	1,145	1,000
Pittsburgh, Pa	154	180	807	853
Providence, R.I	139	146	1,000	741
Midwest:				
Chicago	158	199	935	900
Indianapolis, Ind	144	194	735	805
Detroit, Mich	177	261	989	1,092
Minneapolis, St. Paul, Minn	154	284	994	1,033
Kansas City, Mo	169	194	710	776
St. Louis, Mo	176	187	926	842
Cincinnati, Ohio				
Cleveland, Ohio	210	195	1,077	947
Columbus, Ohio	133	179	665	688
Dayton, Ohio	165	171	801	690
Milwaukee, Wis	183	250	1,040	1,092
South:				
Miami, Fla	202	202	1,058	1,058
Tampa-St. Petersburg, Fla	162	162	890	890
Atlanta, Ga	218	191	928	827
Louisville, Ky				
New Orleans, La	126	123	685	624
Dallas, Tex	142	156	676	684
Houston, Tex	140	185	639	756
San Antonio, Tex	123	198	564	744
West:				
Los Angeles-Long Beach, Calif	193	226	910	900
San Bernardino, Redlands, Ontario, Calif	267	232	1,077	913
San Diego, Calif	186	227	759	894
San Francisco-Oakland, Calif	209	264	722	1,086
Denver, Colo	170	195	904	707
Portland, Oreg	188	213	974	938
Seattle-Everett, Wash	150	275	938	1,015
Total	183 (187)	211 (221)		

TABLE XI.—SELECTED DATA FOR 119 NEW YORK STATE SCHOOL DISTRICTS CITY AND NONCITY WITHIN COHORT WEALTH GROUPS

Taxable property value per WADA (city-noncity)	School tax rate		Total tax rate		Total State aid		Total expenditures per WADA		Percent low achievement		AFDC	
	Noncity	City	Noncity	City	Noncity	City	Noncity	City	Noncity (percent)	City (percent)	Noncity (percent)	City (percent)
49,000 and above (noncity, N=8; city, N=1)	$16.78	$11.84	$34.18	$37.15	$315.25	$351.0	$1,320	$1,187.0	17.7	34.0	5.6	15.0
45,938 to 36,340 (noncity, N=8; city, N=4)	19.53	16.23	34.73	45.57	383.37	356.25	1,203	1,146.0	15.0	31.5	4.5	17.3
35,396 to 24,150 (noncity, N=29; city, N=9)	19.42	16.43	33.81	37.80	475.72	463.44	1,088	1,011	14.7	27.8	2.3	12.7
23,610 to 12,190 (noncity, N=43; city, N=7)	18.57	15.91	35.92	41.41	629.24	566.85	998	972	17.5	22.3	3.8	8.6
11,741 and below (noncity, N=5; city, N=0)	14.96	....	43.21		619.0		1,014		18.4		3.0	

Inequities in Educational Finance Outside the Large Cities

While this paper has emphasized the central city problem, we do not believe that it is the only area of inequity in American educational finance. School districts outside central cities, both within metropolitan areas and in more rural regions, exhibit some of the same patterns of inequity. Table XII is illustrative. It shows that a randomly selected sample of school districts in five major metropolitan areas but not including the central city districts show considerable disparities in the level of school expenditures. Far more important, however, is the relationship between the property valuation of these districts and their expenditures. With only one minor deviation among all four categories in five states, the richer the districts, the more they spend on education. In short, according to our view that public education should offset socio-economic disparities, to the extent that socio-economic status follows the differences in property valuation in these suburban school districts, school finance patterns in these states furnish distinct examples of inequality of educational opportunity.

TABLE XII.—PER PUPIL SUBURBAN PROPERTY VALUE AND SCHOOL REVENUES IN 5 METROPOLITAN AREAS, 1967

Property valuation category	Boston suburbs		Los Angeles suburbs		New York suburbs		Houston suburbs		Detroit suburbs	
	Valuation per pupil	Revenues per pupil	Valuation per pupil	Revenues per pupil	Valuation per pupil	Revenues per pupil	Valuation per pupil	Revenues per pupil	Valuation per pupil	Revenues per pupil
High	$44,767 (3)	$824	$57,414 (3)	$958	$60,842 (5)	$1,411	$140,719 (1)	$928	$27,138 (4)	$899
Moderate high	26,343 (11)	780	17,176 (16)	686	31,384 (16)	1,172	64,356 (5)	571	14,750 (12)	724
Moderate low	20,554 (9)	760	7,195 (16)	630	18,413 (17)	1,043	27,146 (4)	466	9,282 (11)	629
Low	15,481 (5)	595	5,079 (3)	663	10,997 (3)	1,009	12,494 (2)	482	6,550 (4)	599

Note: Figures in parenthesis indicate number of school systems.

Source: Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

TABLE XIII. THE RELATIONSHIP OF DISTRICT WEALTH TO TAX EFFORT AND TAX YIELD[1], TEXAS SCHOOL DISTRICTS CATEGORIZED BY EQUALIZED PROPERTY VALUES, EQUALIZED TAX RATES AND YIELD OF RATES

Categories, market value of taxable property per pupil	Equalized tax rates on $100	Yield per pupil (equalized rate applied to district market value)
Above $100,000 (10 districts)	$0.31	$585
$100,000 to $50,000 (26 districts)	.38	262
$50,000 to $30,000 (30 districts)	.55	213
$30,000 to $10,000 (40 districts)	.72	162
Below $10,000 (4 districts)	.70	60

[1] Source: Policy Institute, Syracuse University Research Corp., Syracuse, N.Y. From evidentiary affidavit of Joel S. Berke in Rodriquez v. San Antonio.

But we have already noted that the inequity in school finance lies not only in the way it distributes educational services. It lies also in the way it raises funds to pay for those services. Relying almost exclusively upon the property tax for locally raised revenues, education is subject to the massive disparities in tax base that characterize American local governments. Examples of the range may be seen on Table I. Consequence of such differences is that districts rich in property may levy relatively low tax rates and yet raise far more proportionately than districts with smaller tax bases. An example of what these patterns can produce may be seen in Table XIII, which draws upon a random sample of Texas school districts. Taxpayers fortunate enough to live in the wealthiest districts can raise nearly ten times as much with a rate only half that of the poorest districts. I would be hard to develop a definition of equity in taxation that could justify such a system.

II. THE EMERGING LEGAL DOCTRINES AND THEIR IMPLICATIONS

The causes of the inequity that we have traced are easy to identify. First, states have created school districts with capacities to raise revenues for education that vary from district to district and bear little rational relation to the educational needs of different pupil populations. Second, state aid formulas, while nominally equalizing, have failed to compensate for the inequitable patterns of taxable property and educational need. While these problems have been recognized for some time, hardened political coalitions have protected the self-interest of communities that have benefitted from the current system. Since August 30, 1971, a new hope has inspired those who have sought to revise the present systems of educational finance. For on that day, the prestigious Supreme Court of the State of California held that the system of state educational finance was unconstitutional because it "invidiously discriminate[d] against the poor [by making] the quality of a child's education a function of the wealth of his parents and neighbors." While *Serrano v. Priest* has not furnished guidelines as to what type of educational finance system will satisfy the constitution, it has made clear that the quality of education may not be a function of variations in local wealth.

If *Serrano* becomes the law of the land, and to date it has been adopted as the appropriate interpretation of the Fourteenth Amendment in federal courts in Minnesota and Texas to invalidate state school finance laws, the alternatives open to legislatures would seem to include at least the following:

1. Full state assumption of the costs of education.
2. Power equalizing state aid, i.e. state aid designed to compensate for disparities in local tax bases that at any level of effort every community would raise the same amount of money per pupil through the combination of locally raised revenue and compensating state aid.
3. Redistricting school districts in such a way that all had equal property valuation.
4. Revenue distribution systems that insured that educational expenditures were either equalized in absolute terms or were distributed in proportion to a criteria such as educational need.

While the authors of this paper have themselves been a part of study teams that have sought to develop state systems of finance that would utilize measures of educational need of a compensatory nature, we fear that the direction that change may take in the post-Serrano period will be that of providing essentially equal expenditures for all children financed from a broad based statewide tax system of proportional rather than progressive rates. Despite the widespread enthusiasm that the California, Minnesota, and Texas cases have raised throughout the nation, it is our belief that finance reform of the type just described will not result in removing the major inequities in American educatonal finance and on the contrary may well exacerbate the problems of a substantial proportion of urban schools.

Effects of State Assumption of Costs and Equal Per Pupil Revenue Distribution

Our analysis consists of applying a system of the type described above to the cities of the thirty-seven largest metropolitan areas. To evaluate the tax implications, we have calculated the total cost to the state of assuming the local share of educational revenues for the state in which the city is located, have allocated the burdens of paying for those costs on the basis of the proportion of the state's income located in those central cities, and have shown the tax burden for education in those cities as a percentage of income. While the tax model we have posited is an income tax of proprotional rather than progressive rates, essentially the same results would have resulted from any broad based, nonprogressive tax such as a sales or statewide property tax. As Table XIV indicates, the results are rather sobering for those concerned about the urban financial crisis. In three fourths of the cities in these large metropolitan areas, taxes would rise, and of the six exceptions to this tendency, three are located in a single state, Ohio, and in a fourth the tax rates would remain virtually the same.

The expenditure implications, however, are even more jarring. For this aspect of the analysis, we have assumed that the local share of revenues assumed by the state would be redistributed on an equal per pupil basis through the state. (While we have not taken into account the state and federal shares of revenue in this study, we are confident that the patterns would be essentially the same based upon the pattern of exenditures noted in the earlier section of this paper.) Columns three and four show the results. Nearly twice as many central cities would receive lower expenditures from the states equal statewide per pupil distribution of funds than they would under its existing revenue structure. In a number of cases, for example New York City, the proportion of income taxed for educational purposes would rise from 2.5% to 3.1%, yet the expenditures from local sources that were $694 in the 1970 school year would drop under an equal per pupil statewide redistribution of the state assumed local share to $636. In short, not only would New York be paying more; under equal per pupil statewide redistribution it would be receiving less.

The last column on Table XIV makes another disturbing point. It shows what the local expenditures would be were they to apply the new statewide tax rates to their tax base and keep the resulting revenues for school purposes instead of paying them into the state pot. In four fifths of the cases in the largest thirty seven metropolitan areas, cities would have had higher revenues than they receive under a state per pupil distribution of the formerly locally raised revenue. What is occuring, then, is that under our revenue-expenditure model, educational resources are being redistributed from large cities to other parts of the state. The reason for this phenomenon lies in the analysis already discussed in the first section of this paper, which showed that city tax rates *for education* were lower than in the surrounding areas because city tax rates *for all governmental functions combined* were higher than in other parts of metropolitan areas. The explanation for the expenditure effects has also been shown: city educational costs are considerably higher than those in other parts of the state, and while expenditures in cities are not as high as their added costs and greater educational need requires, they are higher than expenditures in rural areas and in some suburian areas. Certainly, city school expenditures usually are above the statewide average of districts, and thus cities lose or only break even in plans that have equal per pupil expenditures throughout the state or which "level up" to the state average.

To show the impact of our tax-expenditure model on cities and their suburbs, we took a random selection of thirteen of the thirty-seven largest metropolitan areas, and looked at a large central city and its suburban county. (We were unable to complete calculations for the entire outside central city area.) Table XV displays the comparative tax rate effects. In six of the eight large cities in the Northeast and Midwest, suburban taxes would rise under state assumption, but the rise would be markedly less than in the cities in most cases. Both areas would be redistributing funds to non-metropolitan areas or to the least urbanized portions of metropolitan areas. In the south the tax impact of statewide assumption would permit the suburban counties in both metropolitan areas to reduce tax effort for education, while the cities would get either a lesser degree of tax relief or none at all. In the west, all three cities would have their tax effort increased, while that would be the case for only one suburban county.

TABLE XIV. TAX EFFORT AND EXPENDITURE IMPLICATIONS UNDER STATE ASSUMPTION AND EQUAL PER PUPIL DISTRIBUTION

	Percent of income taxed for school purposes		Local expenditures per pupil		Local expenditures under statewide tax rate[1]
	1970	Under State assumption	1970	Statewide equal expenditures	
Northeast:					
Baltimore, Md	3.4	3.7	444	538	486
Boston, Mass	2.5	3.6	522	657	741
Newark, N.J	3.4	3.8	587	707	648
Paterson-Clif-Pass., N.J.	(2)	3.8	(2)	707	797
Buffalo, N.Y	1.6	3.1	347	636	662
New York City, N.Y	2.5	3.1	694	636	863
Rochester, N.Y	3.0	3.1	697	636	727
Philadelphia, Pa	2.0	2.7	444	446	593
Pittsburgh, Pa	2.5	2.7	596	446	650
Providence, R.I	2.9	2.8	701	477	678
Midwest:					
Chicago, Ill	1.4	3.3	307	600	754
Indianapolis, Ind	2.4	2.8	415	377	495
Detroit, Mich	2.1	2.9	439	396	529
Minneapolis-St. Paul, Minn	2.3	3.3	582	429	835
Kansas City, Mo	(2)	3.0	(2)	408	428
St. Louis, Mo	2.7	3.0	422	408	469
Cincinnati, Ohio	4.6	3.4	677	490	499
Cleveland, Ohio	4.8	3.4	749	490	530
Columbus, Ohio	3.0	3.4	479	490	546
Dayton, Ohio	3.7	3.4	632	490	568
Milwaukee, Wis	3.4	4.3	599	573	708
South:					
Miami, Fla (Dade County)	1.6	1.8	287	383	324
Tampa-St. Petersburg, Fla	1.3	1.8	222	383	315
Atlanta, Ga	2.4	1.5	395	175	350
Louisville, Ky	1.6	1.6	341	191	343
New Orleans, La	1.5	1.9	261	212	325
Dallas, Tex		2.2	(2)	275	409
Houston, Tex		2.2	(2)	275	364
San Antonio, Tex		2.2	(2)	275	259
West:					
Los Angeles-L.B., Cal		2.9	(2)	433	531
San Bernardino, R., O., Calif		2.9	(2)	433	403
San Diego, Calif		2.9	(2)	433	423
San Francisco-Oakland, Calif	2.5	2.9	709	435	817
Denver, Colo	3.3	4.3	667	507	864
Portland, Oreg	2.3	2.0	442	672	980
Seattle-Ev., Wash	1.7	2.3	436	328	608

[1] Local revenues that would be generated if the statewide rates were applied but the revenues raised by those rates were retained for local expenditures.

[2] Not classified.

TABLE XV.—LOCAL SCHOOL TAX EFFORT (TAXES AS A PERCENT OF INCOME)

	1970 city tax effort	1970 suburb tax effort	State assumption and tax effort
Northeast:			
Boston, Mass.-Norfolk	2.5	3.5	3.6
Newark, N.J.-bal. Essex	3.4	2.5	3.8
N.Y. City, N.Y.-Westchester	2.5	2.8	3.1
Midwest:			
Indianapolis, Ind.-bal. Marion	2.4	3.4	2.8
Minn, Minn.-bal. Hennepin	2.3	2.5	3.3
St. Louis, Mo.-St. Louis	2.7	2.4	3.0
Cleveland, Ohio-bal. Cuyahoga	4.8	3.7	3.4
Milwaukee, Wis.-bal. Milwaukee	3.3	3.6	4.3
South:			
Atlanta, Ga.-bal. Fulton	2.4	3.2	1.5
Louisville, Ky.-bal. Jefferson	1.6	2.3	1.6
West:			
Oakland, Calif.-Alameda	2.7	3.0	2.9
Denver, Colo.-Jefferson	3.3	2.8	4.3
Seattle-Ev., Wash	1.7	2.5	2.3

Table XVI shows the comparative central city-suburban expenditure results. The first two columns show the Northeast and Midwest phenomenon of central cities spending somewhat less than their suburban counties. (Since this table deals with the suburban areas nearest the central cities, it omits the rural portions of metropolitan areas which depressed the suburban expenditure levels in the analysis in part I of the paper.) After equal per pupil distribution of the state assumed local share, the third column shows the new statewide expenditure levels from what were formerly local revenues. Only two of the eight Northeastern and Midwestern cities gain, while only one suburb does. And the rates by which the suburbs exceed the state average are substantially higher there than in the cities. The last two columns show what local expenditures would be, were the new statewide tax rates applied and the revenues retained in the local jurisdiction.

TABLE XVI.—LOCALLY RAISED EXPENDITURES PER PUPIL

	1970 city	1970 suburban	Statewide equal expenditure	Local revenue resulting from statewide rates ¹	
				City	Suburban
Northeast:					
Boston, Mass. Norfolk	527	694	632	741	710
Newark, N.J. bal. Essex	587	777	707	648	1,160
N.Y. City, N.Y. Westchester	694	839	636	863	913
Midwest:					
Indianapolis, Ind. bal. Marion	415	519	377	495	431
Minn., Minn. bal. Hennepin	532	416	429	835	549
St. Louis, Mo. St. Louis	422	451	408	469	571
Cleveland, Ohio bal. Cuyahoga	749	951	490	530	864
Milwaukee, Wisc. bal. Milwaukee	599	828	573	758	989
South:					
Atlanta, Ga. bal. Fulton	395	441	175	250	214
Louisville, Ky. bal. Jefferson	341	225	191	343	225
West:					
Oakland, Cal. Alameda	558	462	433	610	408
Denver, Colo. Jefferson	662	392	507	864	576
Seattle Ev., Wash	436	355	328	608	332

¹ Local revenues that would be generated if cities and suburbs applied the new rates that resulted from State assumption but retain the revenue raised by those rates.

The foregoing tax expenditure analysis should, we believe, be seen as a warning to those who have uncritically hailed the new cases and proposals that call for state assumption of educational costs by proportional taxes and a reduction of expenditure disparities. Our study suggests, we further believe, some policy recommendations for state action: to devise educational finance plans that will match resources to need by recognizing the higher costs 1) of pupils with learning disadvantages, 2) of areas which have heavier than average fiscal responsibilities and 3) higher than average cost of living levels, and 4) that draw their revenues from tax plans that are characterized by progressive rather than proportional rates.

TABLE XVII.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN METROPOLITAN AREAS, 1967

All areas larger than 500,000 population	ESEA I (per pupil)	State discretionary Federal funds ¹ (per pupil)	State aid (per pupil)
California:			
Central city (N = 7)	$19.64	$11.44	$224.29
Outside central city (N = 119)	11.09	8.92	275.78
New York:			
Central city (N = 5)	53.90	13.70	372.51
Outside central city (N = 73)	12.35	11.44	494.06
Texas:			
Central city (N = 4)	19.67	5.73	174.26
Outside central city (N = 33)	12.25	10.38	209.35
Michigan:			
Central city (N = 1)	37.15	7.27	238.13
Outside central city (N = 31)	7.86	5.75	271.26
Massachusetts:			
Central city (N = 1)	22.33	7.18	236.00
Outside central city (N = 26)	7.95	11.58	110.26

¹ ESEA II, NDEA III, VA, vocational education, lunch and milk.

Source: The Policy Institute of the Syracuse University Research Corp.

III. IMPLICATIONS FOR FEDERAL REVENUE SHARING PROGRAMS

But while we hope that states will adopt programs in line with the suggestions we have made, we are not sanguine about the possibilities. The record of the states in recognizing the special needs of urban areas or the higher educational requirements of educationally disadvantaged pupil populations is not noteworthy. Indeed, it is the small but important share of educational financing that has been contributed by the federal government that has been the most effective fiscal contribution to equal educational opportunity in American school finance. The contrast among two types of federal aid programs and state aid to education may be seen in Tables XVII and XVIII. In the first we show the differential effects on central city and suburban areas of ESEA I, which is distributed on the basis of a poverty formula, other federal programs which leave considerable discretion to the states in determining the criteria for allocation, and state aid programs. Clearly, Title I is the most responsive; the urban fiscal crisis and state aid the least. (While figures on this table do not include non-metropolitan or rural areas, the pattern there would show equally high Title I and other federal aid payments and greater amounts of state aid in rural areas vis-a-vis cities. Table XVIII shows the effects of the same programs on metropolitan school districts categorized by race. Here again we note that Title I is more responsive to this aspect of educational need than are state aid systems. The policy implications, we would suggest, are that revenue sharing must be severely constrained if it is to serve the real needs of education for greater equality of educational opportunity. Title I functions as it does because the formula for distribution has clear requirements that funds be awarded in relation to the number of children from poor families, and it thus recognizes both the fiscal and educational needs of central city and rural areas. Given the current pattern of educational inequity described in Section I and the ineffectiveness of the most likely results of post-Serrano changes for resolving the large city educational finance crisis, we urge a strong component of attempts to recognize educational need in federal educational revenue sharing legislation.

TABLE XVIII.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN 5 LARGE METROPOLITAN AREAS BASED ON PERCENTAGE OF NONWHITE ENROLLMENT

Districts in 5 largest SMSA's ranked by racial make-up	Number of districts	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
New York:				
15 percent nonwhite or more	8	$30.89	$13.01	$413.17
Less than 15 percent nonwhite	36	10.63	10.48	523.62
Houston:				
15 percent nonwhite or more	6	10.21	11.38	193.35
Less than 15 percent nonwhite	8	19.31	8.35	188.49
Detroit:				
15 percent nonwhite or more	5	25.85	8.07	285.06
Less than 15 percent nonwhite	22	5.13	5.87	272.69
Boston:				
15 percent nonwhite or more	1	32.33	16.84	236.08
Less than 15 percent nonwhite	24	7.99	12.79	112.19
Los Angeles:				
15 percent nonwhite or more	25	15.30	7.18	296.26
Less than 15 percent nonwhite	19	6.28	11.58	236.72

[1] ESEA II, NDEA III, VA, vocational education, lunch and milk.

Such legislation might include a larger proportion of aid being siphoned through the Title I formula or through a formula that would permit states to utilize statewide attainment or aptitude test results as a means of focussing resources where the problems are the greatest. Provisions requiring states to move toward the standard that higher local wealth may not permit higher education expenditures would also be appropriate to even out the disparities which characterize current finance patterns. But any provision for educational revenue sharing which would permit states to distribute federal educational revenues according to the historic patterns of state aid would be disastrous in our eyes. The existence of the impetus toward change which Serrano, Van Dusartz, and Rodriguez have given are no assurance—as our analysis indicates—that new money will be distributed in order to assure greater equality of educational opportunity or greater responsiveness to fiscal need.

Mr. Ford. I just wanted to ask Mr. Selden, have we not seen in history in this field, in some States, Michigan one of them, educators numbers of years back were trapped into the belief that if they could earmark the sales tax for educational purposes, that they could accomplish two things. They could encourage a legislature that was reluctant to pass new taxes, to pass it under the guise of doing something for education, that would make it politically palatable for increasing taxes; second, they thought they were going to get more money for education, by earmarking that sales tax for education, but as a matter of fact, when we studied this a few years ago on an across the country study, with regard to the possibility of changing Michigan's program, we discovered what really happened is that the State legislatures in determining what the total commitment to State education will be always weighted to how much will come from the earmarked tax, and they appropriate accordingly, and the track record indicates that they may not end up with any more money than if it were not earmarked, because the legislature always fights it out with the earmarking, so that it ends up with what—well, let me say, that the study showed that there was no appreciable difference in support attributable to earmarking.

What I am saying, would the gentleman agree that educators have been burned on this earmarking of sales tax in the past, and for that reason, be reluctant to support it in the future?

Mr. Selden. Many times. We do not think education should be singled out for this special treatment.

Mr. Pucinski. Thank you very much, Mr. Selden, Mr. Megel, for your contribution this morning.

I am very pleased that you had started off this series of hearings, on your case here this morning, certainly it points out the need for legislation in this direction.

It is my hope we can create some agreement in the Committee, and move the bill as quickly as possible.

Mr. Selden. Thank you.

Mr. Pucinski. Our next witnesses are a panel of attorneys, who have been working on the lawsuits that are now going through the various courts; and they are as follows:

Mrs. Sarah C. Carey, assistance director, Lawyers' Committee for Civil Rights Under Law;

Mr. Terry Hatter, Jr., executive director, Western Center on Law and Poverty, Los Angeles;

Mr. Steve Browning, staff attorney for the Lawyers' Committee, representing Mr. Mark G. Yudof, University of Texas Law School, Austin, Tex.;

Mr. Roger Haydock, Legal Assistance of Ramsey County, St. Paul, Minn.; and

Mr. Harold Ruvoldt, Jr., attorney, Jersey City, N.J.

We are pleased to have you before the committee, because we are aware of the immense importance of the *Serrano* and related cases, so I am very pleased that you, ladies and gentlemen, are kind enough to be with us today, to brief the committee on the basis of these lawsuits. I myself believe that, in the wake of these legal decisions, this committee cannot delay too long, and that the involvement of the Federal Government in assuming a greater share of financing education now is literally inevitable.

I am anxious to hear your testimony.

Mrs. Carey, I understand you are going to be the coordinator.

Mr. FORD. I ask unanimous consent of the committee that Mrs. Carey's statement, along with the other submitted documents, be submitted for the record. In this way, the witnesses can refer to the various documents in their testimony.

Mr. PUCINSKI. Without objection, so ordered.

(The document referred to follows:)

STATEMENT OF SARAH C. CAREY, ASSISTANT DIRECTOR, LAWYERS' COMMITTEE FOR CIVIL RIGHTS UNDER LAW

My name is Sarah Carey; I am the Assistant Director of the Lawyers' Committee for Civil Rights Under Law. I am here today, along with my colleagues on this panel, to discuss the significance of recent state and federal court decisions declaring unconstitutional present state systems for financing public education. You have asked us to: describe the cases that have been decided to date; evaluate the practical significance of the holdings in these cases; enumerate the steps that state legislatures have taken in response to the court rulings; and, finally, suggest the appropriate role of the federal government.

I would like to make a few general comments and then call upon: Terry Hatter, Executive Director of the Western Center on Law and Poverty to discuss the California Supreme Court's decision in *Serrano* v. *Priest*; Roger Haydoc of the Ramsey County Legal Assistance Society to discuss the Minnesota federal district court's decision in *Van Dusartz* v. *Hatfield*; Stephen Browning of the Lawyers' Committee to discuss the three judge federal court's holding in *Rodriguez* v. *San Antonio Independent School District*; and Harold Ruvoldt, Jr., a private practitioner from Jersey City, New Jersey, to discuss the state court decision in *Robinson* v. *Cahill*.

A. BACKGROUND

The litigation challenging the constitutionality of present systems of school finance is premised on the nation's traditional commitment to a free system of public education designed to enable each student to develop to the best of his ability. Public schools, according to the Jeffersonian concept, were intended to provide the social and economic mobility necessary to prevent class stratification and the entrenchment of an aristocracy.

Today, as the widespread litigation reflects, we have abandoned our traditional commitment. We do not have a uniform, equitable system of public education. Our schools are segregated racially and socially. Poor schools receive fewer and lower quality resources than do rich schools; quite naturally, given this handicap, they are unable to overcome the learning problems inherent in disadvantaged backgrounds. Because the quality of education is tied to local property wealth, the schools reinforce in children the economic stratification of their parents. Contrary to the mythology of democracy, our school children are, in effect, "tracked" from birth.[1]

Our public education system is also inflexible, geared almost exclusively to the needs of the "normal" child. Exceptional children are not challenged by the system. Handicapped children are virtually excluded. A recently completed study in New York State found that one in every 10 children has "some sort of physical, mental, or emotional condition that impairs his or her ability to benefit from the regular school program." Yet the school system has special programs for only 55% of these children. (Fleishman Comm., p. 1.62). New York is not atypical. In a number of jurisdictions, such as Philadelphia, Washington, D.C., and New York City, parents have had to resort to lawsuits against school officials to compel them to provide education for the handicapped.[2] And these are children with problems that are relatively easy to assess. When it comes to children from disadvantaged backgrounds whose special learning problems are less easy to categorize than physical or emotional handicaps, almost no special accommodations are made.[3]

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[1] The New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education, referred to hereafter as the "Fleishman Commission," concluded, for example, that a pattern of failure begins early for children of low-income families, particularly those in large cities of the state. These children are more likely to do poorly on standardized tests and fail to graduate from high school (or even enter 12th grade) than children from higher-income families. Among students who do graduate from high school, it appears that social class and college attendance are similarly related. The percentage of high school seniors who submit college applications increases as socio-economic status increases. Students from the highest SES group applied to college at a rate 45 percent greater than students from the lowest SES group. Page 1.46, January 1972.

[2] The following table, prepared by Bureau of Education for the Handicapped, USOE illustrates the problems of the handicapped nationally:

ESTIMATED NUMBER OF HANDICAPPED CHILDREN SERVED AND UNSERVED, 1971-72 (AGED 0 TO 21 YEARS)

State	Total served	Total unserved	Grand total
1. Alabama	22,384	88,765	111,149
2. Alaska	1,875	3,175	5,050
3. Arizona	12,678	27,318	40,059
4. Arkansas	12,492	109,173	121,665
5. California	321,765	219,320	541,095
6. Colorado	37,566	38,289	75,855
7. Connecticut	35,544	54,322	89,866
8. Delaware	8,351	7,371	15,722
9. District of Columbia	9,568	12,334	21,907
10. Florida	105,021	34,822	139,843
11. Georgia	65,061	64,803	129,864
12. Hawaii	9,106	10,484	19,590
13. Idaho	8,395	28,166	36,561
14. Illinois	180,877	74,804	255,381
15. Indiana	86,599	58,492	145,091
16. Iowa	36,521	58,210	94,731
17. Kansas	27,713	26,853	54,566
18. Kentucky	24,336	54,050	78,386
19. Louisiana	45,056	77,868	122,344
20. Maine	6,758	23,985	30,743
21. Maryland	66,259	57,380	123,639
22. Massachusetts	63,460	45,152	108,612
23. Michigan	165,018	123,279	288,297
24. Minnesota	70,423	52,242	122,685
25. Mississippi	16,587	99,479	116,686
26. Missouri	65,110	156,468	221,578
27. Montana	5,350	18,242	23,600
28. Nebraska	23,734	69,834	93,568
29. Nevada	6,300	7,340	13,640
30. New Hampshire	6,070	13,304	19,374
31. New Jersey	99,189	131,866	231,055
32. New Mexico	8,655	44,471	53,126
33. New York	221,219	151,592	372,811
34. North Carolina	73,739	99,341	172,550
35. North Dakota	89,470	33,268	47,215
36. Ohio	175,300	100,578	335,898
37. Oklahoma	23,746	120,840	144,586
38. Oregon	26,274	21,770	48,044
39. Pennsylvania	156,830	103,619	265,449
40. Rhode Island	13,475	26,640	50,475
41. South Carolina	38,275	68,230	106,505
42. South Dakota	4,414	13,381	17,795
43. Tennessee	49,173	62,750	131,903
44. Texas	175,622	602,059	777,731
45. Utah	27,079	17,100	44,179
46. Vermont	4,612	16,013	20,631
47. Virginia	44,768	101,630	146,748
48. Washington	64,223	15,071	79,294
49. West Virginia	15,161	65,400	80,951
50. Wisconsin	66,230	65,583	155,813
51. Wyoming	5,665	12,610	18,475

Our school system is plagued by many other problems: large numbers of students do not enjoy school; some even find it painful; parents and school boards feel that they no longer govern the schools, they cannot hold them accountable; teachers have received massive salary increases in the past few years but there has been no discernible increase in productivity; and there has been little research/evaluation or innovation in education methodology; no one seems to know "what works" in educating students.

Underlying all of these grievances is a totally irrational, unconstitutional system for financing schools. The vast majority of the states allocate school resources in a manner that bears little or no relationship to the actual costs incurred by local school districts in providing an education. Although most state constitutions make education a state responsibility, roughly 50% of the funds used to support public schools are derived from local property taxes. In many districts, local property wealth is insufficient to adequately support the schools. The local funds are supplemented by two kinds of grants from the state: flat grants of equal value regardless of the needs of the school district, and by equalization grants, calculated according to local property values. Most of the equalization formulae applied by the states today are outdated and are too small to reduce the differences between poor and rich districts or to absorb the rising costs of education. The result of this funding approach is that for public education, the area of public expenditure second only to defense, funds are allocated on the basis of property wealth rather than on the basis of costs or expected out-puts.

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[3] Title I of the Elementary and Secondary Education Act of 1965 does address itself to these problems. But it provides for only 3% of the total national school budget. A few state aid formulas such as New Jersey and Rhode Island take into consideration the number of children from AFDC families in handing out state aid. But most states make no compensation for problems associated with poverty. For example, in 1969 only 8 states had compensatory education programs and those accounted for roughly 2% of the total school expenditures. Similar treatment is accorded non-English speaking children.

B. THE LAWSUITS

As of the present date, 39 lawsuits have been filed challenging the constitutionality of state school finance laws in 22 states. (See Appendix A, (1) a listing of cases filed as of Jan. 1972, and (2) copies of the court decisions in the four cases under discussion today.) Twelve of these have reached at least an initial level of decision. In 1969-70 three federal court cases were decided on preliminary motions: *McInnis* v. *Ogilvie* in Illinois; *Burrus* v. *Wilkerson*[4] in Virginia; and *Board of Education of Independent School District #20* v. *Oklahoma* in Oklahoma. In these cases plaintiffs were asking the courts to declare state education finance laws unconstitutional because they did not distribute funds according to educational need. The courts held that this standard was so vague as to be unmanageable and dismissed the cases. It should be noted that the complaints in these cases and the data submitted in their support were not sufficiently specific to show the courts how "educational need" might be broken down into measurable components.

In August 1971, in *Serrano* v. *Priest* the Supreme Court of California reversed a dismissal by a lower California court and declared the California system of school finance unconstitutional. The court found education to be a "fundamental interest" entitled to special protection and held that the resources provided for education cannot be based on wealth other than the wealth of the state as a whole. The court based its findings on the Fourteenth Amendment of the United States Constitution, but found parenthetically that the finance law also violated the California state constitution. The case is presently before a trial court for a hearing on the facts.

Serrano gave rise to the filing of a substantial number of lawsuits across the country. One of these was *Van Dusartz* v. *Hatfield* decided in October 1971 by a federal court in Minnesota. The court in denying a motion to dismiss, declared the Minnesota school finance statute (which had expired) unconstitutional. The Minnesota legislature subsequently enacted a new law that overcame many of the challenged deficiencies; the suit has been dropped.

In December 1971, after a full trial on the merits a three judge federal court in Texas found in *Rodriguez* v. *San Antonio Independent School District* that the Texas public education finance statute "subsidizes the rich at the expense of the poor." The court held that the statute was discriminatory both on racial (against Mexican-American students) and poverty grounds. The court found as in *Serrano* that education is a fundamental interest, but stated that the Texas statute would be unconstitutional even if education were not a fundamental interest, because it was without "reasonable basis." Notice of appeal to the Supreme Court has been filed by the defendants in *Rodriguez*, making it the first post-*McInnis* case to reach the Court. It is unlikely, however, that a hearing on the case will be scheduled before the October 1972 term.

The most recent significant decision in the school finance litigation movement is *Robinson* v. *Cahill*, handed in January 1972[5] after a lengthy trial by the Superior Court of New Jersey. In *Robinson* the court invalidated the New Jersey finance scheme on the basis of both the federal and state constitutions. The court specifically held that unless the state distributed education funds in a manner that recognized variations in regional costs as well as variations in the cost of educating children with special learning problems, it was in violation of the state constitutional requirement to provide a "thorough and efficient" education for all children in the state. The court also invalidated New Jersey's present property tax levy for education by holding that education in the state must be funded out of state revenues collected on the basis of a uniform tax.

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[4] The Supreme Court affirmed the McInnis and Burrus cases *per curiam*.

[5] The cases not discussed here include: *Guerra* v. *Smith*, another challenge to the Texas finance statutes that will probably be held in abeyance pending a Supreme Court decision in *Rodriguez*; *Hargrave* v. *Kirk*, a case challenging the Florida millage rollback law that was remanded for further hearings by the Supreme Court in 1971; *Spano* v. *Board of Education of Lapland Central School District No. 1*, a case dismissed by a New York State court that relied on *McInnis*; *Hollins* v. *Shofstall*, a *Serrano*-based opinion rendered by an Arizona State court; and *Sweetwater County Planning Committee for the Organization of School Districts* v. *Hinkle*, a Wyoming Supreme Court decision which quoted extensively from *Serrano*, but was decided on other grounds.

1. What the Decided Lawsuits Require and Do Not Require

The *Serrano* line of cases create a negative standard: the quality of a child's education cannot be dependent upon the wealth of the district in which he goes to school. This does not mean that all variations in funding among districts must be eliminated. It means rather that variations will be allowed only if they are justified by a compelling state interest.[6]

The *Serrano* decisions do not mandate any particular formula. A State can do anything from: (a) modernizing its equalization formula by increasing the state contribution to the point that the taxes generated by the local property tax are not a dominant contribution; (b) providing equal dollar expenditure per pupil throughout the state; (c) "power equalizing" districts, that is, permitting each district to select its own tax rate (within a given range) and then making certain through state contributions that equal rates will produce the same amounts of revenue; (d) developing more advanced, flexible formulae that take into consideration municipal overburden factors; [7] regional variations in such education costs as teachers salaries and construction and the varying educational requisites of handicapped and disadvantaged children. (A more elaborate description of the kins of alternative financing schemes acceptable under the *Serrano* line of decisions attached as Appendix B.)

The *Serrano* suits do *not* require abolition of the property tax, nor do they mandate reforms in assessment practices. They affect collection and distribution of the property tax only to the extent that property values are the dominant factor in controlling the distribution of state revenues. Nor do the *Serrano* decisions, despite the initial hopes of city officials, necessarily benefit the cities. It is entirely possible that some financing schemes legitimate under *Serrano*, such as equal dollar expendtures per pupil, if collected under the present property tax system, could result in greater tax burdens for cities and, in some instances, fewer dollars for education.[8] Major cities have relatively high tax valuations (in part caused by the fact that urban property assessment practices are much more rigorous than suburban or rural pactices); but they have to support a variety of expensive services not provided by less population dense areas from the same tax base. Those burdens are not taken into consideration under present tax schemes. On the distribution side, per pupil expenditures equal to the rest of the state would not take into consideration the higher costs incurred by cities in funding union-negotiated teacher salaries or in educating large numbers of disadvantaged children. Since it is likely that many state legislatures will be interested only in meeting the minimum

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[6] For example, a property-rich district could receive more than average funding if the cost of living within the district was above average or if the district needed special funds to work with exceptional children. The additional allotments would not, however, result in the kinds of disparities that presently exist between rich and poor districts.

[7] This refers to the fact that the property values upon which education taxes are levied in urban centers are also being drawn upon to support other high cost social services that are not provided in less concentrated population centers.

[8] See Berke & Callahan, "Serrano v. Priest: Milestone or Millstone for School Finance," *Journal of Public Law*, Spring, 1972. This analysis shows that the only areas that would clearly stand to benefit under an equal dollar expenditure scheme are rural areas.

They estimate that such a formula would have the following effects on major cities:

	Before Statte assumption		After State assumption	
	Per pupill Expenditure	Tax as a percent of personal income	Per pupil expenditure	Tax as percent of personal income
Boston	$690	3.5	$803	4.5
New York	1,180	5.4	1,240	6.0
St. Louis	564	4.4	643	4.7
Oakland	789	4.6	715	4.8

requirements of the court decisions, the outlook under *Serrano* for urban areas is not reassuring.

Robinson v. Cahill, the only suit based on a state constitution, presents a different picture. Although it does not impose a specific formula, it restricts the solutions available to the state legislature (1) by requiring a uniform state tax to support education and (2) by defining the constitutional requisite of a "thorough and efficient" education as one that requires the funds distributed to be based on actual costs. This means that the state formula will have to take into consideration the needs of population centers with a substantial concentration of problem children.

2. New Issues Raised in Pending or About To Be Filed Lawsuits

As usually happens after the enunciation of a new constitutional principle, the post-*Serrano* suits are seeking to give added dimension to the "fiscal neutrality" standard, by building in the kinds of specific requirements that the court provided in *Robinson v. Cahill*. In *Dade County Classroom Teachers' Ass'n v. State Board of Education of Florida*, for example, the plaintiffs complain that "the expenditure of equal dollars per child does not create equality in education opportunities," and allege that "greater financial effort is required to provide the same learning opportunity in denser urban areas." As representatives of such urban areas, they allege that the administrative costs involved in running their schools are greater and that because of the large number of economically deprived children in their schools, they "need more money for more programs merely to provide equivalent learning opportunities." To meet the constitutional requirement of equal educational opportunities for all children, they ask the court to declare the Florida school finance law unconstitutional and to require the legislature to pass a new law. Other urban centers, such as Detroit and New York are contemplating similar suits that will undoubtedly particularize the constitutional protections even further.[9]

Other cases in federal court promise to expand upon issues pertaining to the assessment and collection of property taxes that were raised under the state constitution in *Robinson v. Cahill* but only touched upon in Serrano. For example, in *Fort Worth Independent School District v. Edgar*, now pending before a three-judge Federal court in Texas, the Dallas, Fort Worth, and Houston school districts are challenging the present manner in which Texas collects property taxes for school purposes as well as the manner in which those taxes are redistributed by the state. The plaintiffs allege that they contribute more than their share to the state school fund because their property is assessed at full market value, while other districts are assessed at rates as low as five percent of market value. Since the state contribution to local districts increases as the district's assessed valuation declines, the complaining districts receive a smaller state contribution than do other districts where assessments are carried out improperly. Fort Worth claim to have lost $2,632,878 in school year 1969-70, Dallas $5,395,487 and Houston $5,587,960.[10] Similar losses will be incurred as long as the present scheme is maintained. Plaintiffs seek an injunction to bar the state from "assessing and collecting taxes on any basis that is not equal and uniform."

The implications of the Fort Worth case to the *Serrano* decision are clear: a state that seeks to equalize local tax efforts, to require property-rich communities to provide increased contributions to a state school fund that will, in turn, be used to support property-poor communities, will face a second set of equal protection challenges unless at the same time it equalizes the manner in which its property taxes are assessed and collected. In fact, whether or not *Serrano* is upheld, a new line of legal decisions, will, probably require the states to clean up their property tax administration.[11]

In summary, it is likely that over the next year, a number of new decisions will be handed down by federal and state courts in the school finance field that will further refine the constitutional requirements of an equal educational opportunity.

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[9] It is also probable that litigants will seek to break overall school finance inequities down into a number of smaller parts. For example, Johnson v. New York State Education Department, 319 F. Supp. 271 (E.D.N.Y. 1970), aff'd, —— F. 2d —— (2d Cir. 1971), a case recently decided by the 2d Circuit and now pending before the U.S. Supreme Court seeks to compel school officials to provide free text books to poor children to enable them to benefit from the educational process.

[10] The suit also complains that tax exemptions to certain state and federal properties that are located in the plaintiff districts but that serve the state as a whole impose undue tax burdens on plaintiffs.

[11] See, for example, Russman v. Luckett, et al., 391 S.W. 2d 694, compelling uniform assessment in Kentucky pursuant to the state constitution and Lee V. Boswell, U.S. Dist. Ct. M.D. Ala., June 29, 1971), declaring invalid under the due process and equal protection clauses of the U.S. Constitution the provision in the Alabama Code that allowed county officials to determine local assessment rates.

C. THE STATE LEGISLATURES

The record of the state legislatures is for the most part a dismal one. In many states, the issue of school finance reform has been pending for over a decade. Extensive documentation and sound proposals for reform have not led to action. In fact, it is precisely this inaction that gave rise to the finance reform litigation in the first place.

Even affirmative decisions by the courts may not stimulate the legislatures to act in the necessary manner. As indicated above, the present decisions based upon the U.S. Constitution do not yet go far enough to insure a truly equitable distribution of education resources. They allow legislatures to opt for a reshuffling of existing resources, half-measures that will give rise to another call for reform a decade from now. Some legislatures may even resist the court orders altogether, as has occasionally been the experience under orders pertaining to desegregation, reapportionment and reassessment.[12] Resistance, unfortunately, will give rise to more lawsuits.

Each of the attorneys on the panel will give you a rundown on what his state legislature has done to date in response to an affirmative court ruling. I would like to give a summary history of school finance reform in the State of Michigan as an example of the kinds of problems that are likely to be encountered.

The need to rewrite Michigan's school finance law was first discussed at the state's constitutional convention in 1961. No action was taken, however, until October 1965 when the legislature authorized an investigation of school finance. In 1967 the results of the investigation were reported; the major recommendation was a shift to a statewide property tax for the support of the public schools. The recommendation was not acted upon. In the summer of 1968, the Detroit School Board filed suit against the state seeking to overturn the existing laws and to establish new standards that would take into account local variations in the cost of providing equal educational opportunities.

In October 1969, Governor Milliken submitted a major legislative package to the legislature that included two constitutional reforms: institution of a statewide property tax with the consequent elimination of local propery tax levies for school purposes. The legislature rejected the constitutional amendments as well as a number of other legislative recommendations for reorganizing the public school system.[13] After two years of inaction, Gov. Milliken, himself, filed suit against the State Treasurer requesting the court to enjoin the distribution of funds under the present status and to declare Michigan's school finance status unconstitutional. Finally, while the suit was still pending, the Governor once again sought to obtain a constitutional amendment, this time going over the heads of the legislature through a petition for popular initiative. To date, none of these efforts has succeeded.

Michigan may not be typical. But it illustrates the reluctance of state legislatures to assume a greater burden in funding the schools or to undo the present bias of the distribution formulae in favor of rich districts. The political reasons for this reluctance are obvious: the required shifting of resources is not only a "poverty" program but it is one that reduces the resources available to the rich in a highly visible fashion.[14]

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[12] For example, after the landmark decisions in Lee V. Boswell, *supra*, the state legislature, despite federal court order to carry out a uniform reassessment of all property in Alabama, has refused to allocate sufficient funds to comply with the order.

[13] Among Governor Milliken's education reform proposals are:

1. To abolish the State Board of Education and replace it with an appointed State Superintendent of Public Instruction.
2. To establish regional school districts to replace the existing intermediate school districts.
3. To establish a commission to reorganize local school districts to a minimum size of 2,000 pupils allowing for extenuating circumstance.
4. To set up a budget review system wherein local school districts submit budgets to regional boards, to the State Department of Education to the Executive Office, and finally to the Legislature.
5. To spend $100,000 annually to encourage neighborhood social and cultural centers for school dropouts.
6. To expand the current program of pupil testing and to fund innovative improvement programs.
7. To set up an advisory board which would work with the Department of Education over a three year period to develop teacher incentive.

[14] A summary run-down of the actions taken in the four states under discussion today is attached as Appendix C.

D. THE ROLE OF THE FEDERAL GOVERNMENT

The nation is facing an unprecedented opportunity to restructure its system of financing public schools. As indicated earlier, the present irrational system of financing, characterized by gross inequities in class and race, is a major cause of the decline of confidence in the public school system. The federal government is in a key position to reverse the decline and to insure that the opportunity for reform is acted upon positively. We recommend:

1. A substantial increase in federal expenditures to support the general costs of elementary and secondary education. These funds should be distributed in a manner that encourages and insures equalization of school resources both intra-state and inter-state.** Specifically:

No grant under any federal aid to education program should be made to a state that has not taken or committed itself to take steps (in conformance with federally established standards) (1) to assume a greater burden of the costs of local education and (2) to insure that its total education resources—federal, state and local—are distributed in a manner that insures equality of educational opportunity.

To insure appropriate state action, the Congress should pass a flexible law, similar in general approach to Title VI of the Civil Rights of 1964, that forbids federal agencies from giving financial support to state education agencies that discriminate unlawfully against the poor in their systems for financing public schools and in their educational offerings. The law should include general standards that recognize regional variations and variations in the cost of educating different kinds of children. It should also provide a private right of action to insure vigorous enforcement.

2. Federal categorical programs designed to stimulate reforms in areas that are of national concern, such as the programs funded under Title I of the ESEA. Title I should be terminated only when a successful demonstration phase is completed and the states are in a position to assume them through general funding.

3. Federal insistence that all school districts receiving federal aid collect valid management data showing fiscal input and educational output and that they make all such data available to the public; and finally,

4. Federal funding of: research, data collection and evaluation in regard to education finance and education methodology.

The Congress is today in a position to insure that the legal principles enunciated in *Serrano* v. *Priest* and subsequent decisions result in a return to the radical concept of universal education on which the founding fathers based this democracy. We urge you to carry out that task expeditiously and equitably.

LAWYERS' COMMITTEE EXPANDS ITS SCHOOL FINANCE PROJECT

The "American way" of financing public schools may be unconstitutional. The California Supreme Court so ruled on August 30, 1971, on the facts of *Serrano* v. *Priest*. The record in that case showed that children who live in relatively poor, low tax-base areas are provided educational resources substantially inferior to those in wealthier areas.

The laws that govern the distribution of educational resources in most states are subject to *Serrano*-type challenges. In almost every state in the Union, there is a wide disparity in the resources of local districts that bears no relationship to local taxing effort, costs or educational needs. The usual state pattern of financing uses the local school district as the basic financing unit. Each unit is responsible for raising over half its school resources through a tax levied on property, thereby tying school finances to local wealth. Where "equalizing" grants are provided by the state, they generally fail to compensate for spiralling school costs and shifting property values: in some states "equalizing" grants actually reinforce disparities between rich and poor districts.

In New York, Maryland and Massachusetts special commissions are collecting the facts on existing school finance formulae and devising new ones. In over twenty states law suits have been filed challenging the constitutionality of state aid formulae and reliance on the property tax. A Presidential commission is also analyzing the problem.

**Federal assistance to reduce inter-state disparities should be provided only where the differences result from the poverty of the state rather than the state's unwillingness to tax itself.

The national reform effort in school finance is several years old. The Lawyers' Committee has been actively involved since 1968. Since November 1970, a School Finance Project in the national office has served informally as a clearinghouse and coordinator of school finance suits throughout the country and has:

Provided or arranged for technical assistance in school finance suits in a number of states, including Minnesota, Texas and New Jersey;

Supported *Amicus curiae* briefs in the *Serrano* case and in two Texas school finance cases, *Rodriquez v. San Antonio Independent School District* and *Guerra v. Smith;*

Helped to forge a coalition of private groups at Columbia University to study and litigate school finance reform issues in the State of New York;

Conducted a major school finance litigation conference attended by more than 100 attorneys from throughout the country interested in school finance reform;

Developed a comprehensive set of litigation materials for circulation to attorneys contemplating challenges to state aid formulae;

At the request of the U.S. Senate Select Committee on Equal Educational Opportunity, provided technical assistance and testified at hearings on finance issues in October 1971; and

Assisted and testified before the President's Commission on School Finance.

In an effort to reduce or eliminate intra-city (as well as intra-state) funding disparities the Lawyers' Committee has also:

Conducted regional Title I conferences designed to inform community groups and parents of disadvantaged children of their rights under the Elementary and Secondary Education Act and under HEW guidelines providing for expenditure "comparability" and parent advisory groups;

Filed a lawsuit in Chicago challenging intra-city funding inequities, and assisted similar lawsuits in other cities; and

Monitored performance under Title I comparability standards.

AN EXPANDED EFFORT FOR 1972–73

The Lawyers' Committee will expand its School Finance Project for 1972–1973, with the assistance of grants from The Ford Foundation, The New World Foundation, the Potomac Institute and the National Urban Coalition. The expanded project will include two full-time attorneys working in the national offices in Washington, D.C. The project will continue to serve as a back-up resource for attorneys who are challenging state school financing schemes and, where appropriate, it will also serve directly as counsel to groups seeking legal representation. Among other things, the project will:

Assist with legal tactics and theories, including such questions as: selection of state or federal court; the appropriateness of multi-city lawsuits; individual or public plaintiffs; the elements of proof and the use of expert witnesses; supportive resources (e.g., ACIR, universities, NEA); appropriate forms of relief; etc.;

Sponsor or conduct meetings and seminars to enlist more attorneys and legal scholars in directing their skills toward school finance problems and to advance the knowledge of those already involved; and

Prepare model case materials, law journal articles, model legislation and other legal documents and publications in an effort to educate the legal community and the public about the problem and to stimulate well-directed legal action toward reform.

SPECIAL ISSUES

The development of a constitutional standard to eliminate disparities between "property-rich" and "property-poor" districts involves a number of difficult sub-issues that will receive special attention from the Lawyer's Committee's project. These include:

The shaping of remedies that will benefit central city school districts, taking into consideration "municipal overburden" and the costs of compensatory education for disadvantaged children;

Means of assuring equitable property tax assessment and collection procedures; and

Methods to insure that school finance reform does not result in "equal but separate" school districts.

Lawyers' Committee staff is working on these issues with groups who have traditionally been concerned with one or more of these special issues, such as: the National Urban Coalition on urban school problems; the Public Interest

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Research Group on property tax reform; and the Center for National Policy Review and the NAACP Legal Defense Fund on issues pertaining to metropolitan desegregation; and the National Committee for Support of Public Schools on Title I and other issues.

In the Supreme Court of the State of California, in Bank

John Serrano, Jr., et al., plaintiffs and appellants

v.

Ivy Baker Priest, as Treasurer, etc., et al., defendants and respondents

(Filed August 30, 1971; G. E. Bishel, Clerk)

We are called upon to determine whether the California public school financing system, with its substantial dependence on local property taxes and resultant wide disparities in school revenue, violates the equal protection clause of the Fourteenth Amendment. We have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors. Recognizing as we must that the right to an education in our public schools is a fundamental interest which cannot be conditioned on wealth, we can discern no compelling state purpose necessitating the present method of financing. We have concluded, therefore, that such a system cannot withstand constitutional challenge and must fall before the equal protection clause.

Plaintiffs, who are Los Angeles County public school children and their parents, brought this class action for declaratory and injunctive relief against certain state and county officials charged with administering the financing of the California public school system. Plaintiff children claim to represent a class consisting of all public school pupils in California, "except children in that school district, the identity of which is presently unknown, which school district affords the greatest educational opportunity of all school districts within California." Plaintiff parents purport to represent a class of all parents who have children in the school system and who pay real property taxes in the county of their residence.

Defendants are the Treasurer, the Superintendent of Public Instruction, and the Controller of the State of California, as well as the Tax Collector and Treasurer, and the Superintendent of Schools of the County of Los Angeles. The county officials are sued both in their local capacities and as representatives of a class composed of the school superintendent, tax collector and treasurer of each of the other counties in the state.

The complaint sets forth three causes of action. The first cause alleges in substance as follows: Plaintiff children attend public elementary and secondary schools located in specified school districts in Los Angeles County. This public school system is maintained throughout California by a financing plan or scheme which relies heavily on local property taxes and causes substantial disparities among individual school districts in the amount of revenue available per pupil for the districts' educational programs. Consequently, districts with smaller tax bases are not able to spend as much money per child for education as districts with larger assessed valuations.

It is alleged that "As a direct result of the financing scheme . . . substantial disparities in the quality and extent of availability of educational opportunities exist and are perpetuated among the several school districts of the State . . . [Par.] The educational opportunities made available to children attending public schools in the Districts, including plaintiff children, are substantially inferior to the educational opportunities made available to children attending public schools in many other districts of the State. . . ." The financing scheme thus fails to meet the requirements of the equal protection clause of the Fourteenth Amendment of the United States Constitution and the California Constitution in several specified respects.[1]

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[1] The complaint alleges that the financing scheme:

"A. Makes the quality of education for school age children in California, including Plaintiff Children, a function of the wealth of the children's parents and neighbors, as measured by the tax base of the school district in which said children reside, and

"B. Makes the quality of education for school age children in California, including

In the second cause of action, plaintiff parents, after incorporating by reference all the allegations of the first cause, allege that as a direct result of the financing scheme they are required to pay a higher tax rate than taxpayers in many other school districts in order to obtain for their children the same or lesser educational opportunities afforded children in those other districts.

In the third cause of action, after incorporating by reference all the allegations of the first two causes, all plaintiffs allege that an actual controversy has arisen and now exists between the parties as to the validity and constitutionality of the financing scheme under the Fourteenth Amendment of the United States Constitution and under the California Constitution.

Plaintiffs pray for: (1) a declaration that the present financing system is unconstitutional; (2) an order directing defendants to reallocate school funds in order to remedy this invalidity; and (3) an adjudication that the trial court retain jurisdiction of the action so that it may restructure the system if defendants and the state Legislature fail to act within a reasonable time.

All defendants filed general demurrers to the foregoing complaint asserting that none of the three claims stated facts sufficient to constitute a cause of action. The trial court sustained the demurrers with leave to amend. Upon plaintiffs' failure to amend, defendants' motion for dismissal was granted. (Code Civ. Proc., § 581, subd. 3.) An order of dismissal was entered (Code Civ. Proc., § 581d), and this appeal followed.

Preliminarily we observe that in our examination of the instant complaint we are guided by the long-settled rules for determining its sufficiency against a demurrer. We treat the demurrer as admitting all material facts properly pleaded, but not contentions, deductions or conclusions of fact or law. (Daar v. Yellow Cab Co. (1967) 67 Cal.2d 695, 713.) We also consider matters which may be judicially noticed. (*Id.* at p. 716.) Accordingly, from time to time herein we shall refer to relevant information which has been drawn to our attention either by the parties or by our independent research; in each instance we judicially notice this material since it is contained in publications of state officers or agencies. (Board of Education v. Watson (1966) 63 Cal.2d 829, 836, fn. 3; see Evid. Code, § 452, subd. (c).)

I

We begin our task by examining the California public school financing system which is the focal point of the complaint's allegations. At the threshold we find a fundamental statistic—over 90 percent of our public school funds derive from two basic sources: (a) local district taxes on real property and (b) aid from the State School Fund.[2]

By far the major source of school revenue is the local real property tax. Pursuant to article IX, section 6 of the California Constitution, the Legislature has authorized the governing body of each county, and city and county, to levy taxes on the real property within a school district at a rate necessary to meet the district's annual education budget. (Ed. Code, § 20701, et seq.)[3] The amount of revenue which a district can raise in this manner thus depends largely on its tax base—i.e., the assessed valuation of real property within its borders. Tax bases vary widely throughout the state; in 1969–1970, for example, the assessed

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Plaintiff Children, a function of the geographical accident of the school district in which said children reside, and

"C. Fails to take account of any of the variety of educational needs of the several school districts (and of the children therein) of the State of California, and

"D. Provides students living in some school districts of the State with material advantages over students in other school districts in selecting and pursuing their education goals, and

"E. Fails to provide children of substantially equal age, aptitude, motivation, and ability with substantially equal education resources, and

"F. Perpetuates marked differences in the quality of educational services, equipment and other facilities which exist among the public school districts of the State as a result of the inequitable apportionment of State resources in past years.

"G. The use of the 'school district' as a unit for the differential allocation of educational funds bears no reasonable relation to the California legislative purpose of providing equal educational opportunity for all school children within the State.

"H. The part of the State financing scheme which permits each school district to retain and expend within that district all of the property tax collected within that district bears no reasonable relation to any educational objective or need.

"I. A disproportionate number of school children who are black children, children with Spanish surnames, children belonging to other minority groups reside in school districts in which a relatively inferior educational opportunity is provided."

[2] California educational revenues for the fiscal year 1968–1969 came from the following sources: local property taxes, 55.7 percent; state aid, 35.5 percent; federal funds, 6.1 percent; miscellaneous sources, 2.7 percent. (Legislative Analyst, Public School Finance, Part I, Expenditures for Education (1970) p. 5. Hereafter referred to as Legislative Analyst.)

[3] Hereafter, unless otherwise indicated, all section references are to the Education Code.

valuation per unit of average daily attendance of elementary school children[4] ranged from a low of $103 to a peak of $952,156—a ratio of nearly 1 to 10,000. (Legislative Analyst, Public School Finance, Part V, Current Issues in Educational Finance (1971) p. 7.)[5]

The other factor determining local school revenue is the rate of taxation within the district Although the Legislature has placed ceilings on permissible district tax rates (§ 20751, et seq.), these statutory maxima may be surpassed in a "tax override" election if a majority of the district's voters approve a higher rate. (§ 20803 et seq.) Nearly all districts have voted to override the statutory limits. Thus the locally raised funds which constitute the largest portion of school revenue are primarily a function of the value of the realty within a particular school district, coupled with the willingness of the district's residents to tax themselves for education.

Most of the remaining school revenue comes from the State School Fund pursuant to the "foundation program," through which the state undertakes to supplement local taxes in order to provide a "minimum amount of guaranteed support to all districts. . . ." (§ 17300.) With certain minor exceptions,[6] the foundation program ensures that each school district will receive annually, from state or local funds, $355 for each elementary school pupil (§§ 17656, 17660) and $488 for each high school student. (§ 17665.)

The state contribution is supplied in two principal forms. "Basic state aid" consists of a flat grant to each district of $125 per pupil per year, regardless of the relative wealth of the district. (Cal Const., art. IX, § 6, par. 4; Ed. Code, §§ 17751, 17801.) "Equalization aid" is distributed in inverse proportion to the wealth of the district.

To compute the amount of equalization aid to which a district is entitled, the State Superintendent of Public Instruction first determines how much local property tax revenue would be generated if the district were to levy a hypothetical tax at a rate of $1 on each $100 of assessed valuation in elementary school districts and $.80 per $100 in high school districts.[7] (§ 17702.) To that figure, he adds the $125 per pupil basic aid grant. If the sum of those two amounts is less than the foundation program minimum for that district, the state contributes the difference. (§§ 17901, 17902.) Thus, equalization funds guarantees to the poorer districts a basic minimum revenue, while wealthier districts are ineligible for such assistance.

An additional state program of "supplemental aid" is available to subsidize particularly poor school districts which are willing to make an extra local tax effort. An elementary district with an assessed valuation of $12,500 or less per pupil may obtain up to $125 more for each child if it sets its local tax rate above a certain statutory level. A high school district whose assessed valuation does not exceed $24,500 per pupil is eligible for a supplement of up to $72 per child if its local tax is sufficiently high. (§§ 17920–17926.)[8]

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[4] Most school aid determinations are based not on total enrollment, but on "average daily attendance" (ADA), a figure computed by adding together the number of students actually present on each school day and dividing that total by the number of days school was taught. (§§ 11252, 11301, 11401.) In practice, ADA approximates 98 percent of total enrollment. (Legislative Analyst, Public School Finance, Part IV, Glossary of Terms Most Often Used in School Finance (1971) p. 2.) When we refer herein to figures on a "per pupil" or "per child" basis, we mean per unit of ADA.

[5] Over the period November 1970 to January 1971 the legislative analyst provided to the Legislature a series of five reports which "deal with the current system of public school finance from kindergarten through the community college and are designed to provide a working knowledge of the system of school finance." (Legislative Analyst, Part I, *supra*, p. 1.) The series is as follows: Part I, Expenditures for Education; Part II, the State School Fund: Its Derivation and Distribution; Part III, The Foundation Program; Part IV, Glossary of Terms Most Often Used in School Finance; Part V, Current Issues in Educational Finance.

[6] Districts which maintain "unnecessary small schools" receive $10 per pupil less in foundation funds. (§ 17655.5 et seq.)

Certain types of school districts are eligible for "bonus" foundation funds. Elementary districts receive an additional $30 for each student in grades 1 through 3; this sum is intended to reduce class size in those grades. (§ 17674.) Unified school districts get an extra $20 per child in foundation support. (§§ 17671–17673.)

[7] This is simply a "computational" tax rate used to measure the relative wealth of the district for equalization purposes. It bears no relation to the tax rate actually set by the district in levying local real property taxes.

[8] Some further equalizing effect occurs through a special areawide foundation program in districts included in reorganization plans which were disapproved at an election. (§ 17680 et seq.) Under this program, the assessed valuation of all the individual districts in an area is pooled, and an actual tax is levied at a rate of $1 per $100 for elementary districts and $.80 for high school districts. The resulting revenue is distributed among the individual districts according to the ratio of each district's foundation level to the areawide total. Thus, poor districts effectively share in the higher tax bases of their wealthier neighbors. However, any district is still free to tax itself at a rate higher than $1 or $.80; such additional revenue is retained entirely by the taxing district.

Although equalization aid and supplemental aid temper the disparities which result from the vast variations in real property assessed valuation, wide differentials remain in the revenue available to individual districts and, consequently, in the level of educational expenditures.[9] For example, in Los Angeles County, where plaintiff children attend school, the Baldwin Park Unified School District expended only $577.49 to educate each of its pupils in 1968–1969; during the same year the Pasadena Unified School District spent $840.19 on every student; and the Beverly Hills Unified School District paid out $1,231.72 per child. (Cal. Dept. of Ed., Cal. Public Schools, Selected Statistics 1968–1969 (1970) Table IV–11, pp. 90–91.) The source of these disparities is unmistakable: in Baldwin Park the assessed valuation per child totaled only $3,706; in Pasadena, assessed valuation was $13,706; while in Beverly Hills, the corresponding figure was $50,885—a ratio of 1 to 4 to 13. (*Id.*) Thus, the state grants are inadequate to offset the inequalities inherent in a financing system based on widely varying local tax bases.

Furthermore, basic aid, which constitutes about half of the state educational funds (Legislative Analyst, Public School Finance, Part II, The State School Fund: Its Derivation, Distribution and Apportionment (1970) p. 9), actually widens the gap between rich and poor districts. (See Cal. Senate Fact Finding Committee on Revenue and Taxation, State and Local Fiscal Relationships in Public Education in California (1965) p. 19.) Such aid is distributed on a uniform per pupil basis to all districts, irrespective of a district's wealth. Beverly Hills, as well as Baldwin Park, receives $125 from the state for each of its students.

For Baldwin Park the basic grant is essentially meaningless. Under the foundation program the state must make up the difference between $355 per elementary child and $47.91, the amount of revenue per child which Baldwin Park could raise by levying a tax of $1 per $100 of assessed valuation. Although under present law, that difference is composed partly of basic aid and partly of equalization aid, if the basic aid grant did not exist, the district would still receive the same amount of state aid—all in equalizing funds.

For Beverly Hills, however, the $125 flat grant has real financial significance. Since a tax rate of $1 per $100 there would produce $870 per elementary student, Beverly Hills is far too rich to qualify for equalizing aid. Nevertheless, it still receives $125 per child from the state, thus enlarging the economic chasm between it and Baldwin Park. (See Coons, Clune & Sugarman, *Educational Opportunity: A Workable Constitutional Test for State Financial Structures* (1969) 57 Cal. L. Rev. 305, 3[illegible].)

II

Having outlined the basic framework of California school financing, we take up plaintiffs' legal claims. Preliminarily, we reject their contention that the school financing system violates article IX, section 5 of the California Constitution, which states, in pertinent part: "The Legislature shall provide for *a system of*

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[9] Statistics compiled by the legislative analyst show the following range of assessed valuations per pupil for the 1969–1970 school year:

	Elementary	High school
Low	$103	$11,959
Median	19,600	41,300
High	952,156	349,093

(Legislative Analyst, Part V, *supra*, p. 7.)
Per pupil expenditures during that year also varied widely:

	Elementary	High school	Unified
Low	$407	$722	$612
Median	672	898	766
High	2,586	1,767	2,414

(*Id.* at p. 8.)
Similar spending disparities have been noted throughout the country, particularly when suburban communities and urban ghettos are compared. (See, e.g., Report of the National Advisory Commission on Civil Disorders (Bantam ed. 1968) pp. 434–436; U.S. Commission on Civil Rights, Racial Isolation in the Public Schools (1967) pp. 25–31; Conant, Slums and Suburbs (1961) pp. 2–3; Levi, *The University, The Professions, and the Law* (1968) 56 Cal. L. Rev. 251, 258–259.)

common schools by which a free school shall be kept up and supported in each district at least [illegible] months in every year. . . ." (Italics added.)[10] Plaintiffs' argument is that the present financing method produces separate and distinct systems, each offering an educational program which varies with the relative wealth of the district's residents.

We have held that the word "system," as used in article IX, section 5, implies a "unity of purpose as well as an entirety of operation, and the direction to the legislature to provide 'a' system of common schools means *one* system which shall be applicable to all the common schools within the state." (Kennedy v. Miller (1893) 97 Cal. 429, 432.) However, we have never interpreted the constitutional provision to require equal school spending; we have ruled only that the educational system must be uniform in terms of the prescribed course of study and educational progression from grade to grade. (Piper v. Big Pine School Dist. (1924) 193 Cal. 664, 669, 673.)

We think it would be erroneous to hold otherwise. While article IX, section 5 makes no reference to school financing, section 6 of that same article specifically authorizes the very element of the fiscal system of which plaintiffs complain. Section 6 states in part: "The Legislature shall provide for the levying annually by the governing board of each county, and city and county, of such school district taxes, at rates . . . as will produce in each fiscal year such revenue for each school district as the governing board thereof shall determine is required. . . ."

Elementary principles of construction dictate that where constitutional provisions can reasonably be construed to avoid a conflict, such an interpretation should be adopted. (People v. Western Airlines, Inc. (1954) 42 Cal. 2d 637, app. dism. (1954) 348 U.S. 859.) This maxim suggests that section 5 should not be construed to apply to school financing; otherwise it would clash with section 6. If the two provisions were found irreconciable, section 6 would prevail because it is more specific and was adopted more recently. (*Id.*; County of Placer v. Aetna Cas. etc. Co. (1959) 50 Cal.2d 182, 189.) Consequently, we must reject plaintiffs' argument that the provision in section 5 for a "system of common schools" requires uniform educational expenditures.

III

Having disposed of these preliminary matters, we take up the chief contention underlying plaintiffs' complaint, namely that the California public school financing scheme violates the equal protection clause of the Fourteenth Amendment to the United States Constitution.[11]

As recent decisions of this court have pointed out, the United States Supreme Court has employed a two-level test for measuring legislative classifications against the equal protection clause. "In the area of economic regulation, the high court has exercised restraint, investing legislation with a presumption of constitutionality and requiring merely that distinctions drawn by a challenged statute bear some rational relationship to a conceivable legitimate state purpose. [Citations.]

"On the other hand, in cases involving 'suspect classifications' or touching on 'fundamental interests,' [fns. omitted] the court has adopted an attitude of active and critical analysis, subjecting the classification to strict scrutiny. [Citations.] Under the strict standard applied in such cases, the state bears the burden of establishing not only that it has a *compelling* interest which justifies the law but that the distinctions drawn by the law are *necessary* to further its purpose." (Westbrook v. Mihaly (1970) 2 Cal. 3d 765, 784–785, vacated on other grounds

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[10] Plaintiffs' complaint does not specifically refer to article IX, section 5. Rather it alleges that the financing system "fails to meet minimum requirements of the . . . fundamental law and Constitution of the State of California," citing several other provisions of the state Constitution. Plaintiffs' first specific reference to article IX, section 5 is made in their brief on appeal. We treat plaintiffs' claim under this section as though it had been explicitly raised in their complaint.

[11] The complaint also alleges that the financing system violates article I, sections 11 and 21, of the California Constitution. Section 11 provides: "All laws of a general nature shall have a uniform operation." Section 21 states: "No special privileges or immunities shall ever be granted which may not be altered, revoked, or repealed by the Legislature; nor shall any citizen, or class of citizens, be granted privileges or immunities which, upon the same terms, shall not be granted to all citizens." We have construed these provisions as "substantially the equivalent" of the equal protection clause of the Fourteenth Amendment to the federal Constitution. (Dept. of Mental Hygiene v. Kirchner (1965) 62 Cal. 2d 586, 588.) Consequently, our analysis of plaintiffs' federal equal protection contention is also applicable to their claim under these state constitutional provisions.

(1971) — U.S. —; In re Antazo (1970) 3 Cal. 3d 100, 110–111; see Purdy & Fitzpatrick v. State of California (1969) 71 Cal. 2d 566, 578–579.)

A. WEALTH AS A SUSPECT CLASSIFICATION

In recent years, the United States Supreme Court has demonstrated a marked antipathy toward legislative classifications which discriminate on the basis of certain "suspect" personal characteristics. One factor which has repeatedly come under the close scrutiny of the high court is wealth. "Lines drawn on the basis of wealth or property, like those of race [citation], are traditionally disfavored." (Harper v. Virginia Bd. of Elections (1966) 383 U.S. 663, 668.) Invalidating the Virginia poll tax in *Harper*, the court stated: "To introduce wealth or payment of a fee as a measure of a voter's qualifications is to introduce a capricious or irrelevant factor." (*Id.*) "[A] careful examination on our part is especially warranted where lines are drawn on the basis of wealth . . . [a] factor which would independently render a classification highly suspect and thereby demand a more exacting judicial scrutiny. [Citations.]" (McDonald v. Board of Elections (1969) 394 U.S. 802, 807.) (See also Tate v. Short (1971) 39 U.S. L. Week 4301; Williams v. Illinois (1970) 399 U.S. 235; Roberts v. La Vallee (1967) 389 U.S. 40; Anders v. California (1967) 386 U.S 738; Douglas v California (1963) 372 U.S 353; Smith v. Bennett (1961) 365 U.S. 708; Burns v. Ohio (1959) 360 U.S. 252; Griffin v. Illinois (1956) 351 U.S. 12; In re Antazo, *supra*, 3 Cal. 3d 100; see generally Michelman, *The Supreme Court, 1968 Term. Foreword: On Protecting the Poor Through the Fourteenth Amendment* (1969) 83 Harv. L. Rev. 7, 19–33.)

Plaintiffs contend that the school financing system classifies on the basis of wealth. We find this proposition irrefutable. As we have already discussed, over half of all educational revenue is raised locally by levying taxes on real property in the individual school districts. Above the foundation program minimum ($355 per elementary student and $488 per high school student), the wealth of a school district, as measured by its assessed valuation, is the major determinant of educational expenditures. Although the amount of money raised locally is also a function of the rate at which the residents of a district are willing to tax themselves, as a practical matter districts with small tax bases simply cannot levy taxes at a rate sufficient to produce the revenue that more affluent districts reap with minimal tax efforts. (See fn. 15, *infra*, and accompanying text.) For example, Baldwin Park citizens, who paid a school tax of $5.48 per $100 of assessed valuation in 1968–1969, were able to spend less than half as much on education as Beverly Hills residents, who were taxed only $2.38 per $100. (Cal. Dept. of Ed., *op. cit. supra*, Table III–16, p. 43.)

Defendants vigorously dispute the proposition that the financing scheme discriminates on the basis of wealth. Their first argument is essentially this: through *basic* aid, the state distributes school funds equally to all pupils; through *equalization* aid, it distributes funds in a manner beneficial to the poor districts. However, state funds constitute only one part of the entire school fiscal system.[12] The foundation program partially alleviates the great disparities in local sources of revenue, but the system as a whole generates school revenue in proportion to the wealth of the individual district.[13]

Defendants also argue that neither assessed valuation per pupil nor expenditure per pupil is a reliable index of the wealth of a district or of its residents. The former figure is untrustworthy, they assert, because a district with a low total assessed valuation but a miniscule number of students will have a high per pupil tax base and thus appear "wealthy." Defendants imply that the proper index of a district's wealth is the total assessed valuation of its property. We think defendants' contention misses the point. The only meaningful measure of a district's wealth in the present context is not the absolute value of its property, but the ratio of its resources to pupils, because it is the latter figure which determines how much the district can devote to educating each of its students.[14]

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[12] The other major portion is, of course, locally raised revenue: it is clear that such revenue is a part of the overall educational financing system. As we pointed out, *supra*, article IX, section 6 of the state Constitution specifically authorizes local districts to levy school taxes. Section 20701 et seq. of the Education Code details the mechanics of this process.

[13] Defendants ask us to follow Briggs v. Kerrigan (D. Mass. 1969) 307 F. Supp. 295, affd. (1st Cir. 1970) 431 F. 2d 967, which held that the City of Boston did not violate the equal protection clause in failing to provide federally subsidized lunches at all of its schools. The court found that such lunches were offered only at schools which had kitchens and cooking facilities. As a result, in some cases the inexpensive meals were available to well-to-do children, but not to needy ones.

We do not find this decision relevant to the present action. Here, plaintiffs specifically allege that the allocation of school funds systematically provides greater educational opportunities to affluent children than are afforded to the poor. By contrast, in *Briggs* the court found no wealth-oriented discrimination: "There is no pattern such that schools with lunch programs predominate in areas of relative wealth and schools without the program in areas of economic deprivation." (*Id.* at p. 302.)

Furthermore, the nature of the right involved in the two cases is very different. The instant action concerns the right to an education, which we have determined to be fundamental. (See *infra.*) Availability of an inexpensive school lunch can hardly be considered of such constitutional significance.

But, say defendants, the expenditure per child does not accurately reflect a district's wealth because that expenditure is partly determined by the district's tax rate. Thus, a district with a high total assessed valuation might levy a low school tax, and end up spending the same amount per pupil as a poorer district whose residents opt to pay higher taxes. This argument is also meritless. Obviously, the richer district is favored when it can provide the same educational quality for its children with less tax effort. Furthermore, as a statistical matter, the poorer districts are financially unable to raise their taxes high enough to match the educational offerings of wealthier districts. (Legislative Analyst, Part V, *supra*, pp. 8-9.) Thus, affluent districts can have their cake and eat it too: they can provide a high quality education for their children while paying lower taxes.[15] Poor districts, by contrast, have no cake at all.

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[14] Gorman Elementary District in Los Angeles County, for example, has a total assessed valuation of $6,063,965, but only 41 students, yielding a per pupil tax base of $147,902. We find it significant that Gorman spent $1,378 per student on education in 1968-1969, even more than Beverly Hills. (Cal. Dept. of Ed., *op. cit. supra*, table IV-11, p. 90.)

We realize, of course, that a portion of the high per-pupil expenditure in a district like Gorman may be attributable to certain costs, like a principal's salary, which do not vary with the size of the school. On such expenses, small schools cannot achieve the economies of scale available to a larger district. To the extent, the high per-pupil spending in a small district may be a paper statistic, which is unrepresentative of significant differences in educational opportunities. On the other hand, certain economic "inefficiencies," such as a low pupil-teacher ratio, may have a positive educational impact. The extent to which high spending in such districts represents actual educational advantages is, of course, a matter of proof. (See fn. 16, *infra*.) (See generally Hobson v. Hansen (D.D.C. 1967) 269 F. Supp. 401, 437, affd. sub. nom. Smuck v. Hobson (D.C. Cir. 1969) 408 F. 2d 175.)

[15] "In some cases districts with low expenditure levels have correspondingly low tax rates. In many more cases, however, quite the opposite is true; districts with unusually low expenditures have unusually high tax rates owing to their limited tax base." (Legislative Analyst, Part V, *supra*, p. 8.) The following table demonstrates this relationship:

COMPARISON OF SELECTED TAX RATES AND EXPENDITURE LEVELS IN SELECTED COUNTIES 1968-69

County	ADA	Assessed value per ADA	Tax rate	Expenditure per ADA
Al la:				
ry unified	586	$100,187	$2.57	$2,223
ark unified	8,638	6,048	5.65	615
o:				
olinga unified	2,640	33,244	2.17	963
Clovis unified	8,144	6,480	4.28	565
Kern:				
Rio Bravo elementary	121	136,271	1.05	1,545
Lamont elementary	1,847	5,971	3.06	533
Los Angeles:				
Beverly Hills unified	5,542	50,885	2.38	1,232
Baldwin Park unified	13,108	3,706	5.48	577

This fact has received comment in reports by several California governmental units. "[S]ome school districts are able to provide a high-expenditure school program at rates of tax which are relatively low, while other districts must tax themselves heavily to finance a low-expenditure program. . . . [Par.] One significant criterion of a public activity is that it seeks to provide equal treatment of equals. The present system of public education . . . in California fails to meet this criterion, both with respect to provision of services and with respect to the geographic distribution of the tax burden." (Cal. Senate Fact Finding Committee on Revenue and Taxation, *op. cit. supra*, p. 20.)

"California's present system of school support is based largely on a sharing between the state and school districts of the expenses of education. In this system of sharing the school district has but one source of revenue—the property tax. Therefore, its ability to share depends upon its assessed valuation per pupil and its tax effort. The variations existing in local ability (assessed valuation per pupil) and tax effort (tax rate) present problems which deny equal educational opportunity and local tax equity." (Cal. State Dept. of Ed., Recommendations on Public School Support (1967) p. 69.) (Quoted in Horowitz & Neitring, *Equal Protection Aspects of Inequalities in Public Education and Public Assistance Programs from Place to Place Within a State* (1968) 15 U.C.L.A. L. Rev. 787, 806.)

Finally, defendants suggest that the wealth of a school district does not necessarily reflect the wealth of the families who live there. The simple answer to this argument is that plaintiffs have alleged that there is a correlation between a district's per pupil assessed valuation and the wealth of its residents and we treat these material facts as admitted by the demurrers.

More basically, however, we reject defendants' underlying thesis that classification by wealth is constitutional so long as the wealth is that of the district, not the individual. We think that discrimination on the basis of district wealth is equally invalid. The commerical and industrial property which augments a district tax base is distributed unevenly throughout the state. The allot more educational dollars to the children of one district than to those of another merely because of the fortuitous presence of such property is to make the quality of a child's education dependent upon the location of private commercial and industrial establishments.[16] Surely, this is to rely on the most irrelevant of factors as the basis for educational financing.

Defendants, assuming for the sake of argument that the financing system does classify by wealth, nevertheless claim that no constitutional infirmity is involved because the complaint contains no allegation of purposeful or intentional discrimination. (Cf. Gomillion v. Lightfoot (1960) 364 U.S. 339.) Thus, defendants contend, any unequal treatment is only de facto, not de jure. Since the United States Supreme Court has not held de facto school segregation on the basis of race to be unconstitutional, so the argument goes, de factor classifications on the basis of wealth are presumptively valid.

We think that the whole structure of this argument must fall for want of a solid foundation in law and logic. First, none of the wealth classifications previously invalidated by the United States Supreme Court or this court has been the product of purposeful discrimination. Instead, these prior decisions have involved "unintentional" classifications whose impact simply fell more heavily on the poor.

For example, several cases have held that where important rights are at stake, the state has an affirmative obligation to relieve an indigent of the burden of his own poverty by supplying without charge certain goods or services for which others must pay. In Griffin v. Illinois *supra*, 351 U.S. 12, the high court ruled that Illinois was required to provide a poor defendant with a free transcript on appeal.[17] Douglas v. California, *supra*, 372 U.S. 353 held that an indigent person has a right to court-appointed counsel on appeal.

Other cases dealing with the factor of wealth have held that a state may not impose on an indigent certain payments which, although neutral on their face, may have a discriminatory *effect*. In Harper v. Virginia Bd. of Elections, *supra*, 383 U.S. 663, the high court struck down a $1.50 poll tax, not because its *purpose* was to deter indigents from voting, but because its *result* might be such. (*id.* at p. 666, fn. 3.) We held in In re Antazo, *supra*, 3 Cal. 3d 100 that a poor defendant was denied equal protection of the laws if he was imprisoned simply because he could not afford to pay a fine. (Accord, Tate v. Short, *supra*, 39 U.S. L.Week Williams v. Illinois, *supra*, 399 U.S. 235;[18] see Boddie v. Connecticut (1971) 39 U.S. L.Week 4294, discussed fn. 21, *infra*.) In summary, prior decisions have invalidated classifications based on wealth even in the absence of a discriminatory motivation.

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[16] Defendants contend that different levels of educational expenditure do not affect the quality of education. However, plaintiffs' complaint specifically alleges the contrary, and for purposes of testing the sufficiency of a complaint against a general demurrer, we must take its allegations to be true.

Although we recognize that there is considerable controversy among educators over the relative impact of educational spending and environmental influences on school achievement (compare Coleman, et al., Equality of Educational Opportunity (U.S. Office of Ed. 1966) with Guthrie, Kleindorfer, Levin & Stout, Schools and Inequality (1971); see generally Coons, Clune & Sugarman, *supra*, 57 Cal. L. Rev. 305, 310–311, fn. 16), we note that the several courts which have considered contentions similar to defendants' have uniformly rejected them.

In McInnis v. Shapiro (N.D. Ill. 1968) 293 F. Supp. 327, affd. mem. sub nom. McInnis v. Ogilvie (1969) 394 U.S. 322, heavily relied on by defendants, a three-judge federal court stated: "Presumably, students receiving a $1,000 education are better educated that [sic] those acquiring a $600 schooling." (Fn. omitted.) (*Id.* at p. 331.) In Hargrave v. Kirk (M.D. Fla. 1970) 313 F. Supp 944, vacated on other grounds sub nom. Askew v. Hargrave (1971) 401 U.S. 476, the court declared: "Turning now to the defenses asserted, it may be that in the abstract 'the difference in dollars available does not necessarily produce a difference in the quality of education.' But this abstract statement must give way to proof to the contrary in this case." (*Id.* at p. 947.)

Spending differentials of up to $130 within a district were characterized as "spectacular" in Hobson v. Hansen, *supra*, 269 F. Supp. 401. Responding to defendants' claim that the varying expenditures did not reflect actual educational benefits, the court replied: "To a great extent . . . defendants' own evidence verifies that the comparative per pupil expenditures do refer to actual educational advantages in the high-cost schools, especially with respect to the caliber of the teaching staff." (*Id.* at p. 438.)

[17] Justice Harlan, dissenting in *Griffin*, declared: "Nor is this a case where the State's own action has prevented a defendant from appealing. [Citations.] All that Illinois has done is to fail to alleviate the consequences of differences in economic circumstances that exist wholly apart from any state action. [Par.] The Court thus holds that, at least in this area of criminal appeals, the Equal Protection Clause imposes on the States an affirmative duty to lift the handicaps flowing from differences in economic circumstances." (351 U.S. at p. 34.)

We turn now to defendants' related contention that the instant case involves at most de facto discrimination. We disagree. Indeed, we find the case unusual in the extent to which governmental action *is* the cause of the wealth classifications. The school funding scheme is mandated in every detail by the California Constitution and statutes. Although private residential and commercial patterns may be partly responsible for the distribution of assessed valuation throughout the state, such patterns are shaped and hardened by zoning ordinances and other governmental land-use controls which promote economic exclusivity. (Cf. San Francisco Unified School Dist. v. Johnson (1971) 3 Cal. 3d 937, 956.) Governmental action drew the school district boundary lines, thus determining how much local wealth each district would contain. (Cal. Const. art. IX. § 14; Ed. Code, § 1601 et seq; Worthington S. Dist. v. Eureka S. Dist (1916) 173 Cal. 154, 156; Hughes v. Ewing (1892) 93 Cal. 414, 417; Mountain View Sch. Dist. v. City Council (1959) 168 Cal. App. 2d 89, 97.) Compared with *Griffin* and *Douglas* for example, official activity has played a significant role in establishing the economic classifications challenged in this action.[19]

Finally, even assuming arguendo that defendants are correct in their contention that the instant discrimination based on wealth is merely de facto, and not de jure,[20] such discrimination cannot be justified by analogy to de facto *racial* segregation. Although the United States Supreme Court has not yet ruled on the constitutionality of de facto racial segregation, this court eight years ago held such segregation invalid, and declared that school boards should take affirmative steps to alleviate racial imbalance, however created. (Jackson v. Pasadena City School Dist. (1963) 59 Cal. 2d 876, 881; San Francisco Unified School Dist. v. Johnson, *supra*, 3 Cal. 3d 937.) Consequently, any discrimination based on wealth can hardly be vindicated by reference to de facto racial segregation, which we have already condemned. In sum, we are of the view that the school financing system discriminates on the basis of the wealth of a district and its residents.

B. EDUCATION AS A FUNDAMENTAL INTEREST

But plaintiffs' equal protection attack on the fiscal system has an additional dimension. They assert that the system not only draws lines on the basis of wealth but that it "touches upon," indeed has a direct and significant impact upon, a "fundamental interest," namely education. It is urged that these two grounds, particularly in combination, establish a demonstrable denial of equal protection of the laws. To this phase of the argument we now turn our attention.

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[18] Numerous cases involving racial classifications have rejected the contention that purposeful discrimination is a prerequisite to establishing a violation of the equal protection clause. In Hobson v. Hansen, *supra*, 269 F. Supp. 401, Judge Skelly Wright stated: "Orthodox equal protection doctrine can be encapsulated in a single rule: government action which without justification imposes unequal burdens or awards unequal benefits is unconstitutional. The complaint that analytically no violation of equal protection vests unless the inequalities stem from a deliberately discriminatory plan is simply false. with the help of Supreme Court decisions in the last decade, we now firmly recognize that Whatever the law was once, it is a testament to our maturing concept of equality that, with the help of Supreme Court decisions in the last decade, we now firmly recognize that the arbitrary quality of thoughtlessness can be as disastrous and unfair to private rights and the public interest as the perversity of a willful scheme. [Par.] Theoretically, therefore, purely irrational inequalities even between two schools in a culturally homogeneous, uniformly white suburb would raise a real constitutional question." (Fns. omitted.) (*Id.* at p. 497.) (See also Hawkins v. Town of Shaw, Mississippi (5th Cir. 1971) 437 F. 2d 1286; Norwalk CORE v. Norwalk Redevelopment Agency (2d Cir. 1968) 395 F. 2d 920, 931.) No reason appears to impose a more stringent requirement where wealth discrimination is charged.

[19] One commentator has described state involvement in school financing inequalities as follows: "[The states] have determined that there will be public education, collectively financed out of general taxes; they have determined that the collective financing will not rest mainly on a statewide tax base, but will be largely decentralized to districts; they have composed the district boundaries, thereby determining wealth distribution among districts; in so doing, they have not only sorted education-consuming households into groups of widely varying average wealth, but they have sorted non-school-using taxpayers—households and others—quite unequally among districts; and they have made education compulsory." His conclusion is that "[s]tate involvement and responsibility are indisputable." (Michelman, *supra*, 83 Harv. L. Rev. 7, 50, 48.)

[20] We recently pointed out the difficulty of categorizing *racial* segregation as either de facto or de jure. (San Francisco Unified School Dist. v. Johnson, *supra*, 3 Cal. 3d 937, 956-957.) We think the same reasoning applies to classifications based on wealth. Consequently, we decline to attach an oversimplified label to the complex configuration of public and private decisions which has resulted in the present allocation of educational funds.

Until the present time wealth classifications have been invalidated only in conjunction with a limited number of fundamental interests—rights of defendants in criminal cases (*Griffin, Douglas; Williams; Tate; Antazo*) and voting rights (*Harper;* Cipriano v. City Houma (1969) 395 U.S. 701; Kramer v. Union School District (1969) 395 U.S. 621; cf. McDonald v. Board of Elections).[21] Plaintiffs' contention—that education is a fundamental interest which may not be conditioned on wealth—is not supported by any direct authority.[22]

We, therefore, begin by examining the indispensable role which education plays in the modern industrial state. This role, we believe, has two significant aspects: first, education is a major determinant of an individual's chances for economic and social success in our competitive society; second, education is a unique influence on a child's development as a citizen and his participation in political and community life. "[T]he pivotal position of education to success in American society and its essential role in opening up to the individual the central experiences of our culture lend it an importance that is undeniable." (Note, *Development in the Law—Equal Protection* (1969) 82 Harv.L.Rev. 1065, 1129.) Thus, education is the lifeline of both the individual and society.

The fundamental importance of education has been recognized in other contexts by the United States Supreme Court and by this court. These decisions—while not *legally* controlling on the exact issue before us—are persuasive in their accurate factual description of the significance of learning.[23]

The classic expression of this position came in Brown v. Board of Education (1954) 347 U.S. 483, which invalidated de jure segregation by race in public schools, The high court declared: "Today, education is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society. It is required in the performance of our most basic public responsibilities, even service in the armed forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment.

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[21] But in Boddie v. Connecticut, *supra*, 39 U.S. L. Week 4294, the Supreme Court held that poverty cannot constitutionally bar an individual seeking a divorce from access to the *civil* courts. Using a due process, rather than an equal protection, rationale, the court ruled that an indigent could not be required to pay court fees and costs for service of process as a precondition to commencing a divorce action.

[22] In Shapiro v. Thompson (1969) 394 U.S. 618, in which the Supreme Court invalidated state minimum residence requirements for welfare benefits, the high court indicated, in dictum, that certain wealth discrimination in the area of education would be unconstitutional: "We recognize that a State has a valid interest in preserving the fiscal integrity of its programs. It may legitimately attempt to limit its expenditures, whether for public assistance, public education, or any other program. But a State may not accomplish such a purpose by invidious distinctions between classes of its citizens. It could not, for example, reduce expenditures for education by barring indigent children from its schools." (*Id.* at p. 633.) Although the high court referred to actual exclusion from school, rather than discrimination in expenditures for education, we think the constitutional principle is the same. (See fn. 24, and accompanying text.)

A federal Court of Appeals has also held that education is arguably a fundamental interest. In Hargrave v. McKinney (5th Cir. 1969) 413 F.2d 320, the Fifth Circuit ruled that a three-judge district court must be convened to consider the constitutionality of a Florida statute which limited the local property tax rate which a county could levy in raising school revenue. Plaintiffs contended that the statute violated the equal protection clause because it allowed counties with a high per-pupil accessed valuation to raise much more local revenue than counties with smaller tax bases. The court stated: "The equal protection argument advanced by plaintiffs is the crux of the case. Nothing that lines drawn on wealth are suspect [fn. omitted] and that we are here dealing with interests which may well be deemed fundamental, [fn. omitted] we cannot say that there is no reasonably arguable theory of equal protection which would support a decision in favor of the plaintiffs. [Citations.]" (*Id.* at p. 324.)

On remand, a three-judge court held the statute unconstitutional because there was no rational basis for the discriminatory effect which it had in poor counties. Having invalidated the statute under the traditional equal protection test, the court declined to consider plaintiffs' contention that education was a fundamental interest, requiring application of the "strict scrutiny" equal protection standard. (Hargrave v. Kirk, *supra*, 313 F. Supp. 944.) On appeal, the Supreme Court vacated the district court's decision on other grounds, but indicated that on remand the lower court should thoroughly explore the equal protection issue. (Askew v. Hargrave (1971) 401 U.S. 476.)

[23] Defendants contend that these cases are not of precedential value because they do not consider education in the context of wealth discrimination, but merely in the context of racial segregation or total exclusion from school. We recognize this distinction, but cannot agree with defendants' conclusion. Our quotation of these cases is not intended to suggest that they control the legal result which we reach here, but simply that they eloquently express the crucial importance of education.

In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms." (*Id.* at p. 493.)

The twin themes of the importance of education to the individual and to society have recurred in numerous decisions of this court. Most recently in San Francisco Unified School Dist. v. Johnson, *supra*, 3 Cal. 3d 937, where we considered the validity of an anti-busing statute, we observed, "Unequal education, then, leads to unequal job opportunities, disparate income, and handicapped ability to participate in the social, cultural, and political activity of our society." (*Id.* at p. 950.) Similarly, in Jackson v. Pasadena City School Dist., *supra*, 59 Cal. 2d 876, which raised a claim that school districts had been gerrymandered to avoid integration, this court said: "In view of the importance of education to society and to the individual child, the opportunity to receive the schooling furnished by the state must be made available to all on an equal basis." (*Id.* at p. 880.)

When children living in remote areas brought an action to compel local school authorities to furnish them bus transportation to class, we stated: "We indulge in no hyperbole to assert that society has a compelling interest in affording children an opportunity to attend school. This was evidenced more than three centuries ago, when Massachusetts provided the first public school system in 1647. [Citation.] And today an education has become the *sine qua non* of useful existence. . . . In light of the public interest in conserving the resource of young minds, we must unsympathetically examine any action of a public body which has the effect of depriving children of the opportunity to obtain an education." (Fn. omitted.) (Manjares v. Newton (1966) 64 Cal. 2d 365, 375–376).

And long before these last mentioned cases, in Piper v. Big Pine School Dist., *supra*, 193 Cal. 664, where an Indian girl sought to attend state public schools, we declared: "[T]he common schools are doorways opening into chambers of science, art, and the learned professions, as well as into fields of industrial and commercial activities. Opportunities for securing employment are often more or less dependent upon the rating which a youth, as a pupil of our public institutions, has received in his school work. These are rights and privileges that cannot be denied." (*Id.* at p. 673; see also Ward v. Floyd (1874) 48 Cal. 36.) Although *Manjares* and *Piper* involved actual exclusion from the public schools, surely the right to an education today means more than access to a classroom.[23] (See Harowitz & Neitring, *supra*, 15 U.C.L.A. L.Rev. 787, 811.)

It is illuminating to compare in importance the right to an education with the rights of defendants in criminal cases and the right to vote—two "fundamental interests" which the Supreme Court has already protected against discrimination based on wealth. Although an individual's interest in his freedom is unique, we think that from a larger perspective, education may have far greater social significance than a free transcript or a court-appointed lawyer. "[E]ducation not only affects directly a vastly greater number of persons than the criminal law, but it affects them in ways which—to the state—have an enormous and much more varied significance. Aside from reducing the crime rate (the inverse relation is strong), education also supports each and every other value of a democratic society—participation, communication, and social mobility, to name but a few." (Fn. omitted.) (Coons, Clune & Sugarman, *supra*, 57 Cal.L.Rev. 305, 362–363.)

The analogy between education and voting is much more direct; both are crucial to participation in, and the functioning of, a democracy. Voting has been regarded as a fundamental right because it is "preservative of other basic civil and political rights . . . ." (Reynolds v. Sims, *supra*, 377 U.S. 533, 562; see Yick Wo v. Hopkins (1886) 118 U.S. 356, 370.) The drafters of the California Constitution used this same rationale—indeed, almost identical language—in expressing the importance of education. Article IX, section 1 provides: "A general diffusion of knowledge and intelligence being essential to the preservation of the rights and liberties of the people, the Legislature shall encourage by all suitable means the promotion of intellectual, scientific, moral, and agricultural improvement." (See also Piper v. Big Pine School Dist., *supra*, 193 Cal. 664, 668.) At a minimum, education makes more meaningful the casting of a ballot. More significantly, it is likely to provide the understanding of, and the interest in, public issues which are the spur to involvement in other civic and political activities.

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[23] Cf. Reynolds v. Sims (1964) 377 U.S. 533, 562–563, where the Supreme Court asserted that the right to vote is impaired not only when a qualified individual is barred from voting, but also when the impact of his ballot is diminished by unequal electoral apportionment: "It could hardly be gainsaid that a constitutional claim had been asserted by an allegation that certain otherwise qualified voters had been entirely prohibited from voting for members of their state legislature. And, if a State should provide that the votes of citizens in one part of the State should be given two times, or five times, or ten times the weight of votes of citizens in another part of the State, it could hardly be contended that the right to vote of those residing in the disfavored areas had not been effectively diluted. . . . Of course, the effect of state legislative districting schemes which give the same number of representatives to unequal numbers of constituents is identical. . . . One must be ever aware that the Constitution forbids 'sophisticated as well as simple-minded modes of discrimination.' [Citation.]" (Fn. omitted.)

The need for an educated populace assumes greater importance as the problems of our diverse society become increasingly complex. The United States Supreme Court has repeatedly recognized the role of public education as a unifying social force and the basic tool for shaping democratic values. The public school has been termed "the most powerful agency for promoting cohesion among a heterogeneous democratic people . . . at once the symbol of our democracy and the most persuasive means for promoting our common destiny." (McCollum v. Board of Education (1948) 333 U.S. 203, 216, 231 (Frankfurter, J., concurring).) In Abington School Dist. v. Schempp (1963) 374 U.S. 203, it was said that "Americans regard the public schools as a most vital civic institution for the preservation of a democratic system of government." (*Id.* at p. 230; Brennan, J., concurring.)[25]

We are convinced that the distinctive and priceless function of education in our society warrants, indeed compels, our treating it as a "fundamental interest."[26]

First, education is essential in maintaining what several commentators have termed "free enterprise democracy"—that is, preserving an individual's opportunity to compete successfully in the economic marketplace, despite a disadvantaged background. Accordingly, the public schools of this state are the bright hope for entry of the poor and oppressed into the main stream of American society.[27]

Second, education is universally relevant. "Not every person finds it necessary to call upon the fire department or even the police in an entire lifetime. Relatively few are on welfare. Every person, however, benefits from education. . . ." (Fn. Omitted.) (Coons, Clune & Sugarman, *supra*, 57 Cal. L. Rev. at p. 388.)

Third, public education continues over a lengthy period of life—between 10 and 13 years. Few other government services have such sustained, intensive contact with the recipient.

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[25] The sensitive interplay between education and the cherished First Amendment right of free speech has also received recognition by the United States Supreme Court. In Shelton v. Tucker (1960) 364 U.S. 479, the court declared: "The vigilant protection of constitutional freedoms is nowhere more vital than in the community of American schools." (*Id.* at p. 487.) Similarly, the court observed in Keyishian v. Board of Regents (1967) 385 U.S. 589, "The classroom is peculiarly the 'market place of ideas.' The Nation's future depends upon leaders trained through wide exposure to [a] robust exchange of ideas . . . ." (*Id.* at p. 603.) (See also Tinker v. Des Moines School Dist. (1969) 393 U.S. 503, 512; Epperson v. Arkansas (1968) 393 U.S. 97.)

[26] The uniqueness of education was recently stressed by the United States Supreme Court in Palmer v. Thompson (1971) 39 U.S. L.Week 4759, where the court upheld the right of Jackson, Mississippi to close its municipal swimming pools rather than operate them on an integrated basis. Distinguishing an earlier Supreme Court decision which refused to permit the closing of schools to avoid desegregation, the court stated: "Of course that case did not involve swimming pools but rather public schools, an enterprise we have described as 'perhaps the most important function of state and local governments.' Brown v. Board of Education, *supra*, at 493." (*Id.* at p. 4760, fn. 6.) This theme was echoed in the concurring opinion of Justice Blackmum, who wrote: "The pools are not part of the city's educational system. They are a general municipal service of the nice-to-have but not essential variety, and they are a service, perhaps a luxury, not enjoyed by many communities." (*Id.* at p. 4762.)

[27] In this context, we find persuasive the following passage from Hobson v. Hansen, *supra*, 269 F. Supp. 401, which held, inter alia, that higher per pupil expenditures in predominantly white schools than in black schools in the District of Columbia deprived "the District's Negro and poor public school children of their right to equal educational opportunity with the District's white and more affluent public school children." (*Id.* at p. 406.)

"If the situation were one involving racial imbalance but in some facility other than the public schools or unequal educational opportunity but without any Negro or poverty aspects (e.g., unequal schools all within an economically homogeneous white suburb), it might be pardonable to uphold the practice on a minimal showing of rational basis. But the fusion of these two elements in *de facto* segregation in public schools irresistably calls for additional justification. What supports this call is . . . the degree to which the poor and the Negro must rely on the public schools in rescuing themselves from their depressed cultural and economic condition . . . ." (*Id.* at pp. 508.) Although we realize that the instant case does not present the racial aspects present in *Hobson*, we find compelling that decision's assessment of the important social role of the public schools.

Fourth, education is unmatched in the extent to which it molds the personality of the youth of society. While police and fire protection, garbage collection and street lights are essentially neutral in their effect on the individual psyche, public education actively attempts to shape a child's personal development in a manner chosen not by the child or his parents but by the state. (Coons, Clune & Sugarman, *supra*, 57 Cal. L. Rev. at p. 389.) "[T]he influence of the school is not confined to how well it can teach the disadvantaged child; it also has a significant role to play in shaping the student's emotional and psychological make-up." (Hobson v. Hansen, *supra*, 269 F. Supp. 401, 483.)

Finally, education is so important that the state has made it compulsory—not only in the requirement of attendance but also by assignment to a particular district and school. Although a child of wealthy parents has the opportunity to attend a private school, this freedom is seldom available to the indigent. In this context, it has been suggested that "a child of the poor assigned willy-nilly to an inferior state school takes on the complexion of a prisoner, complete with a minimum sentence of 12 years." (Coons, Clune & Sugarman, *supra*, 57 Cal. L. Rev. at p. 388.)

THE FINANCING SYSTEM IS NOT NECESSARY TO ACCOMPLISH A COMPELLING STATE INTEREST

We now reach the final step in the application of the "strict scrutiny" equal protection standard—the determination of whether the California school financing system, as presently structured, is necessary to achieve a compelling state interest.

The state interest which defendants advance in support of the current fiscal scheme is California's policy "to strengthen and encourage local responsibility for control of public education." (Ed. Code, § 17300.) We treat separately the two possible aspects of this goal: first, the granting to local districts of effective decision-making power over the administration of their schools; and second, the promotion of local fiscal control over the amount of money to be spent on education.

The individual district may well be in the best position to decide whom to hire, how to schedule its educational offerings, and a host of other matters which are either of significant local impact or of such a detailed nature as to require decentralized determination. But even assuming arguendo that local administrative control may be a compelling state interest, the present financial system cannot be considered necessary to further this interest. No matter how the state decides to finance its system of public education, it can still leave this decision-making power in the hands of local districts.

The other asserted policy interest is that of allowing a local district to choose how much it wishes to spend on the education of its children. Defendants argue: "[I]f one district raises a lesser amount per pupil than another district, this is a matter of choice and preference of the individual district, and reflects the individual desire for lower taxes rather than an expanded educational program, or may reflect a greater interest within that district in such other services that are supported by local property taxes as, for example, police and fire protection or hospital services."

We need not decide whether such decentralized financial decision-making is a compelling state interest, since under the present financing system, such fiscal freewill is a cruel illusion for the poor school districts. We cannot agree that Baldwin Park residents care less about education than those in Beverly Hills solely because Baldwin Park spends less than $600 per child while Beverly Hills spends over $1,200. As defendants themselves recognize, perhaps the most accurate reflection of a community's commitment to education is the rate at which its citizens are willing to tax themselves to support their schools. Yet by that standard, Baldwin Park should be deemed far more devoted to learning than Beverly Hills, for Baldwin Park citizens levied a school tax of well over $5 per $100 of assessed valuation, while residents of Beverly Hills paid only slightly more than $2.

In summary, so long as the assessed valuation within a district's boundaries is a major determinant of how much it can spend for its schools, only a district with a large tax base will be truly able to decide how much it really cares about education. The poor district cannot freely choose to tax itself into an excellence which its tax rolls cannot provide. Far from being necessary to promote local fiscal choice, the present financing system actually deprives the less wealthy districts of that option.

It is convenient at this point to dispose of two final arguments advanced by defendants. They assert, first, that territorial uniformity in respect to the present financing system is not constitutionally required; and secondly, that if under an equal protection mandate relative wealth may not determine the quality of public education, the same rule must be applied to all tax-supported public services.

In support of their first argument, defendants cite Salsburg v. Maryland (1954) 346 U.S. 545 and Board of Education v. Watson, *supra*, 63 Cal. 2d 829. We do not find these decisions opposite in the present context, for neither of them involved the basic constitutional interests here at issue.[28] We think that two lines of recent decisions have indicated that where fundamental rights or suspect classifications are at stake, a state's general freedom to discriminate on a geographical basis will be significantly curtailed by the equal protection clause. (See Horowitz & Neitring, *supra*, 15 U.C.L.A. L. Rev. 787.)

The first group of precedents consists of the school closing cases, in which the Supreme Court has invalidated efforts to shut schools in one part of a state while schools in other areas continued to operate. In Griffin v. School Board (1964) 377 U.S. 218 the court stated: "A state, of course, has a wide discretion in deciding whether laws shall operate statewide or shall operate only in certain counties, the legislature 'having in mind the needs and desires of each.' Salsburg v. Maryland, *supra*, 346 U.S., at 552. . . . But the record in the present case could not be clearer that Prince Edward's public schools were closed . . . for one reason, and one reason only: to ensure . . . that white and colored children in Prince Edward County would not, under any circumstances, go to the same school. Whatever nonracial grounds might support a State's allowing a county to abandon public schools, the object must be a constitutional one. . . ." (*Id.* at p. 231.)

Similarly, Hall v. St. Helena Parish School Board (E.D. La. 1961) 197 F. Supp. 649, affd. mem. (1962) 368 U.S. 515 held that a statute permitting a local district faced with integration to close its schools was constitutionally defective, not merely because of its racial consequences: "More generally, the Act is assailable because its application in one parish, while the state provides public schools elsewhere would unfairly discriminate against the residents of that parish, irrespective of race. . . . [A]bsent a reasonable basis for so classifying, a state cannot close the public schools in one area while, at the same time, it maintains schools elsewhere with public funds." (Fn. omitted.) (*Id.* at pp. 651, 656.)

The *Hall* court specifically distinguished *Salsburg* stating: "The holding of Salsburg v. State of Maryland permitting the state to treat differently, for different localities, the rule against admissibility of illegally obtained evidence no longer obtains in view of Mapp v. Ohio, 367 U.S. 643. . . . Accordingly reliance on that decision for the proposition that there is no constitutional inhibition to geographic discrimination in the area of civil rights is misplaced. . . . [T]he Court [in *Salsburg*] emphasized that the matter was purely 'procedural' and 'local.' Here, the substantive classification is discriminatory. . . ." (*Id.* at pp. 658-659, fn. 29.)

In the second group of cases, dealing with apportionment, the high court has held that accidents of geography and arbitrary boundary lines of local government can afford no ground for discrimination among a state's citizens. (Kurland, *Equal Educational Opportunity: The Limits of Constitutional Jurisprudence Undefined* (1968) 35 U.Chi.L.Rev. 583, 585; see also Wise, Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity (1969) pp. 66-92.) Specifically rejecting attempts to justify unequal districting on the basis of various geographic factors, the court declared: "Diluting the weight of votes because of place of residence impairs basic constitutional rights under the Fourteenth Amendment just as much as invidious discriminations based upon factors such as race [citation] or economic status, Griffin v. Illinois, 351 U.S. 12, Douglas

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[28] *Salsburg* upheld a Maryland statute which allowed illegally seized evidence to be admitted in gambling prosecutions in one county, while barring use of such evidence elsewhere in the state. But when Salsburg was decided, the Fourth and Fourteenth Amendments had not yet been interpreted to prohibit the admission of unlawfully procured evidence in state trials. (Mapp v. Ohio (1961) 367 U.S. 643.) Consequently, the Supreme Court in *Salsburg* treated the Maryland statute as simply establishing a rule of evidence, which was purely procedural in nature. (346 U.S. at p. 550; see pp. 554-555 (Douglas, J., dissenting).)

In *Watson* we rejected a constitutional attack on a statute which required special duties of the tax assessor in counties with a population in excess of four million, even though we recognized that only Los Angeles County would be affected by the legislation. In both cases, the courts simply applied the traditional equal protection test and sustained the provision after finding some rational basis for the geographic classification.

v. California, 372 U.S. 353. . . . The fact that an individual lives here or there is not a legitimate reason for overweighting or diluting the efficacy of his vote." (Reynolds v. Sims, *supra*, 377 U.S. 533, 566, 567.) If a voter's address may not determine the weight to which his ballot is entitled, surely it should not determine the quality of his child's education.[29]

Defendants' second argument boils down to this: if the equal protection clause commands that the relative wealth of school districts may not determine the quality of public education, it must be deemed to direct the same command to all governmental entities in respect to all tax-supported public services;[30] and such a principle would spell the destruction of local government. We unhesitatingly reject this argument. We cannot share defendants' unreasoned apprehensions of such dire consequences from our holding today. Although we intimate no views on other governmental services,[31] we are satisfied that, as we have explained, its uniqueness among public activities clearly demonstrates that education must respond to the command of the equal protection clause.

We, therefore, arrive at these conclusions. The California public school financing system, as presented to us by plaintiffs' complaint supplemented by matters judicially noticed, since it deals intimately with education, obviously touches upon a fundamental interest. For the reasons we have explained in detail, this system conditions the full entitlement to such interest on wealth, classifies its recipients on the basis of their collective affluence and makes the quality of a child's education depend upon the resources of his school district and ultimately upon the pocketbook of his parents. We find that such financing system as presently constituted is not necessary to the attainment of any compelling state interest Since it does not withstand the requisite "strict scrutiny," it denies to the plaintiffs and others similarly situated the equal protection of the laws.[32] If the allegations of the complaint are sustained, the financial system must fall and the statutes comprising it must be found unconstitutional.

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[29] Defendants also claim that permitting school districts to retain their locally raised property tax revenue does not violate equal protection because "[t]he power of a legislature in respect to the allocation and distribution of public funds is not limited by any requirement of uniformity or of equal protection of the laws." As an abstract proposition of law, this statement is clearly overbroad. For example, a state Legislature cannot make tuition grants from state funds to segregated private schools in order to avoid integration. (Brown v. South Carolina State Board of Education (D.S.C. 1968) 296 F. Supp. 199, affd. mem. (1968) 393 U.S. 222; Poindexter v. Louisiana Financial Assistant Commission (E.D. La. 1967) 275 F. Supp. 833, affd. mem. (1968) 389 U.S. 571.) The cases cited by defendants are inapplicable in the present context. Neither Hess v. Mullaney (9th Cir. 1954) 213 F. 2d 635, cert. den. sub nom. Hess v. Dewey (1954) 348 U.S. 836, nor Gen. Amer. Tank Car Corp. v. Day (1926) 270 U.S. 367 involved a claim to a fundamental constitutional interest, such as education. (See Coons, Clune & Sugarman, supra, 57 Cal.L.Rev. at p. 371, fn. 184.)

[30] In support of this contention, defendants cite the following quotation from MacMillan Co. v. Clarke (1920) 184 Cal. 491, 500, in which we upheld the constitutionality of a statute providing free textbooks to high school pupils: "[T]he free school system . . . is not primarily a service to the individual pupils, but to the community, just as fire and police protection, public libraries, hospitals, playgrounds, and the numerous other public service utilities which are provided by taxation, and minister to individual needs, are for the benefit of the general public." Whatever the case as to the other services, we think that in this era of high geographic mobility, the "general public" benefited by education is not merely the particular community where the schools are located, but the entire state.

[31] We note, however, that the Court of Appeals for the Fifth Circuit has recently held that the equal protection clause forbids a town to discriminate racially in the provision of municipal services. In Hawkins v. Town of Shaw, Mississippi, *supra*, 437 F. 2d 1286, the court held that the town of Shaw, Mississippi had an affirmative duty to equalize such services as street paving and lighting, sanitary sewers, surface water drainage, water mains and fire hydrants. The decision applied the "strict scrutiny" equal protection standard and reversed the decision of the district court which, relying on the traditional test, had found no constitutional infirmity.

Although racial discrimination was the basis of the decision, the court intimated that wealth discrimination in the provision of city services might also be invalid: "Appellants also alleged the discriminatory provision of municipal services based on wealth. This claim was dropped on appeal. It is interesting to note, however, that the Supreme Court has stated that wealth as well as race renders a classification highly suspect and thus demanding of a more exciting judicial scrutiny. [Citation.]" (*Id.* at p. 1287, fn. 1.)

[32] The United States Commission on Civil Rights has stated that "[i]t may well be that the substantial fiscal and tangible inequalities which at present exist between city and suburban school districts . . . contravene the 14th amendment's equal protection guarantee." Relying on the quotation from Brown v. Board of Education, *supra*—"'where a State provides education, it must be provided to all on equal terms'"—the commission concluded that this passage "would appear to render at least those substantial disparities which are readily identifiable—such as disparities in fiscal support, average per pupil expenditure, and average pupil-teacher ratios—unconstitutional." The commission also cited the reapportionment decisions and Griffin v. Illinois, *supra*, concluding, "Here, as in *Griffin*, the State may be under no obligation to provide the service, but having undertaken to provide it, the State must insure that the benefit is received by the poor as well as the rich in substantially equal measure." (U.S. Commission on Civil Rights, *op. cit. supra*, p. 261 fn. 282.

IV

Defendants' final contention is that the applicability of the equal protection clause to school financing has already been resolved adversely to plaintiffs' claims by the Supreme Court's summary affirmance in McInnis v. Shapiro, *supra*, 293 F. Supp. 327, affd. mem. sub nom. McInnis v. Ogilvie (1969) 394 U.S. 322, and Burruss v. Wilkerson (W.D. Va. 1969) 310 F. Supp. 572, affd. mem. (1970) 397 U.S. 44. The trial court in the instant action cited *McInnis* in sustaining defendants' demurrers.

The plaintiffs in *McInnis* challenged the Illinois school financing system, which is similar to California's, as a violation of the equal protection and due process clauses of the Fourteenth Amendment because of the wide variations among districts in school expenditures per pupil. They contended that "*only* a financing system which apportions public funds according to the educational needs of the students satisfies the Fourteenth Amendment." (Fn. omitted.) (293 F. Supp. at p. 331.)

A three-judge federal district court concluded that the complaint stated no cause of action "for two principal reasons: (1) the Fourteenth Amendment does not require that public school expenditures be made only on the basis of pupils' *educational needs*, and (2) the lack of judicially manageable standards makes this controversy nonjusticiable." (Fn. omitted.) (293 F. Supp. at p. 329.) (Italics added.) The court additionally rejected the applicability of the strict scrutiny equal protection standard and ruled that the Illinois financing scheme was rational because it was "designed to allow individual localities to determine their own tax burden according to the importance which they place upon public schools." (*Id.* at p. 333.) The United States Supreme Court affirmed per curiam with the following order: "The motion to affirm is granted and the judgment is affirmed." (394 U.S. 322.) No cases were cited in the high court's order; there was no oral argument.[33]

Defendants argue that the high court's summary affirmance forecloses our independent examination of the issues involved. We disagree.

Since *McInnis* reached the Supreme Court by way of appeal from a three-judge federal court, the high court's jurisdiction was not discretionary. (28 U.S.C. § 1253 (1964).) In these circumstances, defendants are correct in stating that a summary affirmance is formally a decision on the merits. However, the significance of such summary dispositions is often unclear, especially where, as in *McInnis*, the court cites no cases as authority and guidance. One commentator has stated, "It has often been observed that the dismissal of an appeal technically an adjudication on the merits, is in practice often the substantial equivalent of a denial of certiorari." [34] (D. Currie, *The Three-Judge District Court in Constitutional Litigation* (1964) 32 U.Chi.L.Rev. 1, 74, fn. 365.) Frankfurter and Landis had suggested earlier that the pressure of the court's docket and differences of opinion among the judges operate "to subject the obligatory jurisdiction of the court to discretionary considerations not unlike those governing *certiorari*." (Frankfurter & Landis, *The Business of the Supreme Court at October Term, 1929* (1930) 44 Harv.L.Rev. 1, 14.) Between 60 and 84 percent of appeals in recent years have been summarily handled by the Supreme Court without opinion. (Stern & Gressman, *op. cit. supra*, at p. 194.)[35]

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[33] The plaintiffs in *Burruss* attacked the constitutionality of the Virginia school financing scheme. The decision of the district court, which dismissed their complaint for failure to state a claim, was cursory, containing little legal reasoning and relying on McInnis v. Shapiro for precedent. Consequently, the parties to the instant action have centered their discussion on *McInnis*, and we follow suit.

[34] Although the Supreme Court affirmed the *McInnis* decision, rather than dismissing the appeal, Currie's statement is probably entirely applicable anyway. In upholding decisions of lower courts on appeal, the Supreme Court "will affirm an appeal from a federal court, but will dismiss an appeal from a state court 'for want of a substantial federal question.' Only history would seem to justify this distinction. . . ." (Stern & Gressman, Supreme Court Practice (4th ed. 1969) at p. 233.)

[35] Summary disposition of a case by the Supreme Court need not prevent the court from later holding a full hearing on the same issue. The constitutionality of compulsory school flag salutes is a case in point. For three successive years—in Leoles v. Landers (1937) 302 U.S. 656; Hering v. State Board of Education (1938) 303 U.S. 624; and Johnson v. Deerfield (1939) 306 U.S. 621—the Supreme Court summarily upheld lower court decisions which ruled such requirements constitutional. The very next year the high court granted certiorari in Minersville District v. Gobitis (1940) 310 U.S. 586, thereby providing for oral argument and a full briefing of the issue. Although in *Gobitis* it adhered to its earlier per curiam decisions, three years later the court reversed its position and ruled such requirements invalid. (Board of Education v. Barnette (1943) 319 U.S. 624.)

At any rate, the contentions of the plaintiffs here are significantly different from those in *McInnis*. The instant complaint employs a familiar standard which has guided decisions of both the United States and California Supreme Courts: discrimination on the basis of wealth is an inherently suspect classification which may be justified only on the basis of a compelling state interest. (See cases cited, part III, *supra*.) By contrast, the *McInnis* plaintiffs repeatedly emphasized "educational needs" as the proper standard for measuring school financing against the equal protection clause. The district court found this a "nebulous concept" (293 F.Supp. 327, 329, fn. 4)—so nebulous as to render the issue non-justiciable for lack of " 'discoverable and manageable standards' "[36] (*Id.*, at p. 335.) In fact, the non-justiciability of the "educational needs" standard was the basis for the *McInnis* holding; the district court's additional treatment of the substantive issues was purely dictum. In this context, a Supreme Court affirmance can hardly be considered dispositive of the significant and complex constitutional questions presented here.[37]

Assuming, as we must in light of the demurrers, the truth of the material allegations of the first stated cause of action, and considering in conjunction therewith the various matters which we have judicially noticed, we are satisfied that plaintiff children have alleged facts showing that the public school financing system denies them equal protection of the laws because it produces substantial disparities among school districts in the amount of revenue available for education.

The second stated cause of action by plaintiff parents by incorporating the first cause has, of course, sufficiently set forth the constitutionally defective financing scheme. Additionally, the parents allege that they are citizens and residents of Los Angeles County; that they are owners of real property assessed by the county; that some of defendants are county officials; and that as a direct result of the financing system they are required to pay taxes at a higher rate than taxpayers in many other districts in order to secure for their children the same or lesser educational opportunities. Plaintiff parents join with plaintiff children in the prayer of the complaint that the system be declared unconstitutional and that defendants be required to restructure the present financial system so as to eliminate its unconstitutional aspects. Such prayer for relief is strictly injunctive and seeks to prevent public officers of a country from acting under an allegedly void law. Plaintiff parents then clearly have stated a cause of action since "[i]f the . . . law is unconstitutional, then county officials may be enjoined from spending their time carrying out its provisions. . . ." (Blair v. Pitchess (1971) 5 Cal.3d ———; Code Civ. Proc., § 526a.)[38]

Because the third cause of action incorporates by reference the allegations of the first and second causes and simply seeks declaratory relief, it obviously sets forth facts sufficient to constitute a cause of action.

By our holding today we further the cherished idea of American education that in a democratic society free public schools shall make available to all children equally the abundant gifts of learning. This was the credo of Horace Mann, which has been the heritage and the inspiration of this country. "I believe," he wrote, "in the existence of a great, immortal immutable principle of natural law, or natural ethics, a principle antecedent to all human institutions, and incapable of being abrogated by any ordinance of man . . . which proves the *absolute right* to an education of every human being that comes into the world, and which, of course, proves the correlative duty of every government to see that the means of that education are provided for all. . . ." (Original italics.) (Old South Leaflets V, No. 109 (1846) pp. 177–180 (Tenth Annual Report to Mass. State Bd. of Ed.), quoted in Readings in American Education (1963 Lucio ed. p. 325.)

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[36] The plaintiffs in *Burruss* also relied on an "educational needs" standard in their attack on the Virginia school financing scheme, causing the district court to remark: "However, the court have neither the knowledge, nor the means, nor the power to tailor the public moneys to fit the varying needs of these students throughout the State." (310 F. Supp. at p. 574.)

[37] In a comprehensive article on equal protection and school financing, three commentators have stated: "The meaning of McInnis v. Shapiro is ambiguous; but the case hardly seems another Plessy v. Ferguson. Probably but a temporary setback, it was the predictable consequence of an effort to force the court to precipitous and decisive action upon a novel and complex issue for which neither it nor the parties were ready. . . . [T]he plaintiffs' virtual absence of intelligible theory left the district court bewildered. Given the pace and character of the litigation, confusion of court and parties may have been inevitable, foreordaining the summary disposition of the appeal. The Supreme Court could not have been eager to consider an issue of this magnitude on such a record. Concededly its per curiam affirmance is formally a decision on the merits, but it need not imply the Court's permanent withdrawal from the field. It is probably most significant as an admonition to the protagonists to clarify the options before again invoking the Court's aid." (Coons, Clune & Sugarman, *supra*, 57 Cal. L. Rev. at pp. 308–309.)

The Supreme Court's willingness to order a full hearing by a federal district court on the issues raised in Hargrave v. Kirk (see Askew v. Hargrave, *supra*, 401 U.S. 476), indicates to us that it does not consider the applicability of the equal protection clause to educational financing foreclosed by its decisions in *McInnis* and *Burruss*.

[38] Although plaintiff parents bring this action against state, as well as county, officials, it has been held that state officers too may be sued under section 526a. (Blair v. Pitchess, *supra*, 5 Cal. 3d —; California State Employees' Assn. v. Williams (1970) 7 Cal. App. 3d 390, 395; Ahlgren v. Carr (1962) 209 Cal. App. 2d 248, 252–254.)

The judgment is reversed and the cause remanded to the trial court with directions to overrule the demurrers and to allow defendants a reasonable time within which to answer.

SULLIVAN, J.

We concur.
WRIGHT, C. J.
PETERS, J.
TOBRINER, J.
MOSK, J.
BURKE, J.

SERRANO *v.* PRIEST, L.A. 29820

DISSENTING OPINION BY McCOMB, J.

I dissent. I would affirm the judgment for the reasons expressed by Mr. Justice Dunn in the opinion prepared by him for the Court of Appeal in Serrano v. Priest (Cal.App.) 89 Cal.Rptr. 345.

McCOMB, J.

UNITED STATES DISTRICT COURT, DISTRICT OF MINNESOTA, THIRD DIVISION

(NO. 3–71 CIV. 243)

Memorandum and Order

DONALD VAN DUSARTZ AND AUDREY VAN DUSARTZ, INDIVIDUALLY AND ON BEHALF OF ALL OTHERS SIMILARLY SITUATED; ET. AL., PLAINTIFFS

v.

ROLLAND F. HATFIELD, AUDITOR OF THE STATE OF MINNESOTA, ET. AL., DEFENDANTS

Roger S. Haydock, Delores C. Orey, Michael A. Wolff, John E. Drauch, Legal Assistance of Ramsey County, St. Paul, Minn., attorneys for plaintiffs. John E. Coons, Berkeley, California, of counsel.

John Mason, Solicitor General, and Douglas Skor, Special Assistant Attorney General, State Capitol, St. Paul, Minn., attorneys for defendants.

This is one of three actions brought by various parties to challenge the constitutional validity of Minnesota's system of financing public elementary and secondary education. The companion cases are *Minnesota Federation of Teachers, et al v. Hatfield, et al.* 4–71 Civ. 458, and *Minnesota Real Estate Taxpayers Association, et al. v. State of Minnesota, et al.*, 3–71 Civ. 233.

Plaintiffs in the above-entitled action base their claims solely on the alleged denial of equal protection of the laws to a class of plaintiff school children they purport to represent. Jurisdiction of this court is invoked pursuant to 28 U.S.C. 1343 (3) and (4) because plaintiff's cause of action arises under the Civil Rights Act, 42 U.S.C. § 1983.

Defendants have moved to dismiss in all three cases on the grounds that the complaints fail to state a claim upon which relief can be granted and that the cases are moot.

Since the above-entitled case appears to be on solid jurisdictional grounds as to the plaintiff pupils and does not raise pendent claims under the laws or Constitution of Minnesota, this Court chooses to analyze the narrow claims presented here in light of the recent California Supreme Court decision in *Serrano* v. *Priest*, 5 Cal. 3d 584, — p. 2d — (1971). Although separate orders will be entered denying defendants' motions to dismiss in the other two cases, the Court chooses to postpone any ruling on the other complex issues presented by those complaints.

The primary purpose here is to test the plaintiff children's cause of action, and to examine the substantive issues raised by their complaint. With proper deference to the Legislature, it is appropriate to consider the correctness of the *Serrano* rule and to examine the applicability of the equal protection clause to the instant case.

The issue posed by the children, here as in *Serrano*, is whether pupils in publicly financed elementary and secondary schools enjoy a right under the equal protection guarantee of the 14th Amendment to have the level of spending for their education unaffected by variations in the taxable wealth of their school district or their parents. This Court concludes that such a right indeed exists and that the principle announced in *Serrano* v. *Priest* is correct. Plainly put, the rule is that the level of spending for a child's education may not be a function of wealth other than the wealth of the state as a whole. For convenience we shall refer to this as the principle of "fiscal neutrality", a reference previously adopted in *Serrano*.[1]

This Court will treat defendants' motion to dismiss as a motion for summary judgment in which, for the purposes here, plaintiffs' allegations of fact must be taken as true. These allegations will be supplemented by judicial notice of facts appearing in official public records and reports which have been stipulated to by the parties herein. The State has argued that the expiration of M.S.A. § 124.211 has rendered thhe complaint moot. If in fact the existing vacuum in "equalizing" state aids were to continue, the influence of district wealth variations would be even more extensive and invidious than what we are about to describe. In fact, the opposite is true; it has seriously aggravated the injury. In fairness to the State it shall be assumed—contrary to fact—that there presently continues in existence a system of subventions similar to the recently expired system.

The recently expired Minnesota system appears structurally indistinguishable in its basic parts from the California system described in the *Serrano* opinion, *supra* at 591-595. The Minnesota pupils—like those in *Serrano*—allege that the number of dollars per pupil spent in their school districts is a function of the amount of taxable wealth per pupil located within the boundaries of those districts and thus subject to the local educational levy. See M.S.A. Chapter 124. School districts in Minnesota differ in taxable wealth per pupil. Indeed, some districts have almost no taxable wealth while others range up to and even above 30,000 dollars per pupil. The plaintiff children reside in relatively poor districts.[2]

The State has assisted the poorer districts with "equalizing" aid but in a manner which offsets only a portion of the influence of district wealth variations.[3] To be specific, in 1970-71 if a school district's tax rate were at least 20 mills, it was guaranteed a total of $404 spendable dollars by the State. Thus, if the local levy of 20 mills raised only $200 (in a district with $10,000 assessed valuation per pupil) the State supplemented this with a subvention of $204 per pupil. If the district was sufficiently wealthy that a 20-mill levy raised more than the $404 guarantee, it retained the excess collection and now has it available for expenditure. There appear to be a number of districts in this enviable position.

In addition the State has guaranteed to *every* district a minimum state subvention of $141 per pupil. Thus a rich district which raised $450 at the 20-mill rate may spend $591 per pupil. What is important about this flat grant is that it is useful only to the richer districts. Even if it were abolished, those districts poor in taxable wealth would receive no less than they now do, because the $141 is counted as part of the equalizing aid. As in our previous example, a poor district raising only $200 with the 20-mill local rate would receive its $204 from the state in "equalizing" money even if the $141 guaranteed minimum did not exist. Thus this latter guarantee acts in effect as a unique bonus solely for the benefit of rich districts.

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[1] The analysis here generally parallels that appearing in J. Coons, W. Clune, and S. Sugarman, *Private Wealth and Public Education* (Cambridge, Harvard University Press, 1970), hereinafter cited as ***Private Wealth and Public Education***.

[2] The rule adopted here and in *Serrano* does not depend upon the personal wealth of the pupils or their parents. It is sufficient that the plaintiffs be members of the larger class of pupils injured which class is defined as the pupil population of relatively poor school districts. *Serrano* v. *Priest*, 5 Cal. 3d at 601, — P. 2d at —. Whether "relative" poverty includes *every* district poorer than that one district richest in assessed valuation per pupil need not now be determined, nor would this appear to have great practical significance in the application of the general principle.

[3] The examples that follow in the text are all hypothetical applications of M.S.A. § 124.211.

Finally, insofar as districts exceed the 20-mill local tax rate (apparently all poor districts do) they are essentially on their own. For every additional mill on its local property a district with $20,000 valuation per pupil adds another $20 per child in spending; a district with $5,000 valuation per pupil adds only $5 in spending. Put another way, above 20 miles there is a high correlation per pupil wealth and the amount available to spend for education for the small mill rate.

To sum up the basic structure, the rich districts may and do enjoy both lower tax rates and higher spending. A district with $20,000 assessed valuation per pupil and a 40 mill tax rate on local property would be able to spend $941 per pupil; to match that level of spending the district with $5,000 taxable wealth per pupil would have to tax itself at more than three times that rate, or 127.4 mills.

There are apparently many minor refinements and subventions, none of which alter this essential pattern.[4] The overall conclusion is inescapable. The level of spending for publicly financed education in Minnesota is profoundly affected by the wealth of each school district. Children living in districts poorer than the richest are proportionately disadvantaged. It is this class which pupil plaintiffs claim to represent.

It may be true, of course, that not every difference in spending level is traceable into a difference in effectiveness of education. We must recognize that there has been disagreement among scholars over the degree to which money counts.[5] For present purposes, however, it is sufficient that the relation between cost and quality of education has been alleged. In any event, the Legislature would seem to have foreclosed this issue to the State by establishing a system encouraging variation in spending; it would be high irony for the State to argue that large portions of the educational budget authorized by law in effect are thrown away. The courts that have considered the issue are in agreement.[6]

Furthermore, this Court notes the affidavit of Van D. Mueller, attached to plaintiffs' brief in that it gives an indication of the correlation between spending per pupil and the quality of education. The statements made in the affidavit must, under the law, be taken as true for the purpose of determining whether plaintiffs have spelled out a cause of action. Mueller flatly states:

> "The districts having the lowest per-pupil expenditure, which are generally the poorest districts in terms of assessed valuation per-pupil unit, offer an education that is inferior to the districts having the highest per-pupil expenditures."

While the correlation between expenditure per pupil and the quality of education may be open to argument, the Court must assume here that it is high. To do otherwise would be to hold that in those wealthy districts where the per pupil expenditure is higher than some real or imaginary norm, the school boards are merely wasting the taxpayers' money. The Court is not willing to so hold, absent some strong evidence. Even those who staunchly advocate that the disparities here complained of are the result of local control and that such control and taxation with the resulting inequality should be maintained would not be willing to concede that such local autonomy results in waste or inefficiency.

The disparities demonstrated by the California court in *Serrano* stood out in bold relief, while the figures supplied by the Minnesota Department of Education tend to show a lack of such great disparities. Nevertheless, this Court must accept at face value the affidavit of Mueller which states that if the statistics for Minnesota are arranged in the same manner as in California, that is, dividing elementary and secondary school figures, the disparities are "very comparable". Thus, there is little or no difference between the factual allegations in this case and those in *Serrano*.

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[4] Defendants' contention [illegible] other categories of state aids substantially increase the revenue of many schools [illegible] raise a question of fact, i.e. whether dependence on local school district wealth is overcome by these other aids. However, for purpose of this motion, we must accept as true plaintiffs' allegation of wealth dependence.

[5] The competing views are summed up in *Serrano* v. *Priest*, 5 Cal. 3d at 601, —P2d at — (f.n. 16). It is noteworthy that, while Prof. James Coleman's earlier work is sometimes interpreted to question the cost-quality relation, his *foreword* to *Private Wealth and Public Education* suggests that spending differences are a significant factor in education.

[6] The cases are collected in the Serrano opinion at f.n. 16, 5 Cal. 3d at 601. — P. 2d at —.

II

The United States Supreme Court has employed two distinct approaches to claims asserted under the equal protection clause of the 14th Amendment. See, e.g. *Shapiro* v. *Thompson*, 394 U.S. 618 (1969) and *McGowan* v. *Maryland*, 366 U.S. 420 (1961). These approaches involve substantially different degrees of deference for state legislation depending upon its subject matter and character. Most regulation by the states of most kinds of interests is judged merely by the rationality of the relation between the state's objective and the means of regulation (the statutory or administrative classifications) chosen. The Court does not ordinarily undertake to evaluate purposes and effects as such. This test of the relation of means to ends might plausibly be applied to the Minnesota system here attached. If the State's objective is a "general and uniform system" of education, as Article VIII, Sections 1 and 2 of the Minnesota Constitution declare, it might be wondered whether the means chosen are rationally adapted to that goal.

However, this issue is not reached because, in the present case, the stricter test of equal protection is clearly more appropriate. This approach requiring close scrutiny of the state law by the Court is triggered whenever either a "fundamental interest" is at stake or the state has employed a "suspect classification". Here both such factors are involved and mutually reinforce the pupil plaintiff's attack upon the system.

First, as to the specially protected interest: Where the onus of a legislative classification falls upon an interest which is classified as "fundamental", the State bears the burden of demonstrating a compelling interest of its own which is served by the challenged legislation and which cannot be satisfied by any other convenient legal structure.[7] That approach fits this case because the interest at stake is education. The *Serrano* opinion, *supra* at 604–610, has correctly inferred from relevant expressions of the United States Supreme Court and from the nature of education itself that this interest is truly fundamental in the constitutional sense.

It is unnecessary to repeat the persuasive analysis of the California court on this point, but it is worth observing that education in this respect is to be sharply distinguished from most other benefits and services provided by government.[8] It is not the "importance" of an asserted interest which alone renders it specially protected. One can concede the significance of welfare payments to an indigent and yet accept the result in *Dandridge* v. *Williams*, where the Court did not face a suspect classification.[9] Education has a unique impact on the mind, personality, and future role of the individual child. It is basic to the functioning of a free society and thereby evokes special judicial solicitude.[10]

Now we consider the relevance of the legislative classification. As noted above, the pupils' objection to the financing system is augmented by the nature of the classifying fact—district wealth—by which the distribution of education is affected and, in significant degree, determined. In a number of decisions over the last fifteen years the United States Supreme Court has made it plain that classifications based upon wealth are suspect. These decisions, convincingly analyzed in *Serrano*,[11] are well known and need no comment here. What is important to note is that the objection to classification by wealth is in this case aggravated by the fact that the variations in wealth are State created. This is not the simple instance in which a poor man is injured by his lack of funds. Here the poverty is that of a governmental unit that the State itself has defined and commissioned. The heaviest burdens of this system surely fall *de facto* upon those poor families residing in poor districts who cannot escape to private schools, but this effect only magnifies the odiousness of the explicit discrimination by the law itself against all children living in relatively poor districts.

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[7] *Shapiro* v. *Thompson*, 394 U.S. 618 (1969). See also *Griffin* v. *Illinois*, 351 U.S. 12 (1956); *Douglas* v. *California*, 372 U.S. 353 (1963); *Harper* v. *Virginia Board of Elections*, 383 U.S. 668 (1966); *Kramer* v. *Union Free School District No. 15*, 395 U.S. 621 (1969). The fundamental interest cases and the rationale of the correlative "compelling interest" test are considered at length in the *Serrano* opinion, 5 Cal. 3d at 604–611, — P. 2d at ———.

[8] And thus, incidentally, does not constitute an opening wedge for eventual fiscal neutrality in all government services through the medium of the 14th Amendment. *Serrano* v. *Priest*, 5 Cal. 3d at 613–614; Coones, Clune, and Sugarman, *Private Wealth and Public Education*, 414–419 (1970).

[9] 397 U.S. 471 (1970). See also *James* v. *Valtierra*, 402 U.S. 137 (1971). (The interest in housing). In another respect Valtierra actually supports the "fundamentality" of the interest in education. The Court there emphasized the special importance of the democratic process exemplified in local plebiscites. That perspective here assists pupil plaintiffs who ask no more than equal capacity for local voters to raise school money in tax referenda, thus making the democratic process all the more effective.

[10] Even the majority opinion in *Dandridge* seems to intimate this by its citation of the decision in *Shelton* v. *Tucker*, 364 U.S. 479 (1960) as the exemplar of the Court's commitment to a special view of equal protection in those areas where "freedom guaranteed by the Bill of Rights" may be affected. 397 U.S. at 484. In *Shelton*, Mr. Justice Stewart for the majority had declared that "The vigilant protection of constitutional freedoms is nowhere more vital than in the community of American Schools", 364 U.S. at 487.

[11] 5 Cal. 3d at 597–604. Elaborate analyses of these cases appear in Note, "Developments in the Law—Equal Protection", 82 *Harv. L. Rev.* 1065 (1969); Michelman, *"On Protecting the Poor Through the Fourteenth Amendment"*, 83 *Harv. L. Rev.* 7 (1969); *Private Wealth and Public Education*, 359–387.

This does not suggest that by itself discrimination by wealth is necessarily decisive. No court has so held. However, when the wealth classification affects the distribution of public education, the constitutional significance is cumulative.[12]

It cannot be argued that a quality education endows its recipient with a distinct economic advantage over his less educated brethren. By these standards the inexorable effect of educational financing system such as here maintained puts the state in the position of making the rich richer and the poor poorer. If added to this problem is the problem that the parents of children who live in poor districts have also a lower income than the parents in wealthier districts, then the disparity may be even more severe than that alleged by plaintiffs.

A state, of course, could have a powerful and legitimate interest in maintaining the strength of local government by preserving local choice in school spending. If that interest were "compelling"—and sufficiently so—and if because of some extremely important state need, it were necessary that only wealthy children be given quality education and that poor children be denied such, then the present financing structure might be justified. See *Shapiro* v. *Thompson*, 394 U.S. 618 (1969). Whether this interest of the State is constitutionally compelling, however, need not be decided for two reasons. By its own acts, the State has indicated that it is not primarily interested in local choice in school matters. In fact, rather than reposing in each school district the economic power to fix its own level of per pupil expenditure, the State has so arranged the structure as to guarantee that some districts will spend low (with high taxes) while others will spend high (with low taxes). To promote such an erratic dispersal of privilege and burden on a theory of local control of spending would be quite impossible.[13]

The second reason for ignoring the question of whether the State's interest is compelling is that, under the constitutional standard here adopted, if the state chooses to emphasize local control, it remains free to do so to whatever degree it wishes. In fact, it is the singular virtue of the *Serrano* principle that the State remains free to pursue all imaginable interests except that of distributing education according to wealth. The State makes the argument that what plaintiffs seek here is uniformity of expenditure for each pupil in Minnesota. Neither this case nor *Serrano* requires absolute uniformity of school expenditures. On the contrary, the fiscal neutrality principle not only removes discrimination by wealth but also allows free play to local effort and choice and openly permits the State to adopt one of many optional school funding systems which do not violate the equal protection clause.[14]

The State argues that the issues here posed have been foreclosed by *McInnis* v. *Shapiro*, 293 F. Supp. 327 (N.D. Ill., 1968), aff'd *sub nom McInnis* v. *Oglivie*, 394 U.S. 322 (1969), and *Burress* v. *Wilkerson*, 310 F. Supp. 572 (W.D. Va. 1969) aff'd *nom.* 397 U.S. 74 (1970). It is true that the present complaint—like the two decisions noted—contained references to a duty of the State to respond to individual "needs" of pupils. It appears that plaintiffs herein have now abandoned this aspect of their claim. In any event such a claim is in fact foreclosed by *McInnis* and *Burruss, supra.* These two decisions, however, do not speak to the issue here considered—whether there is a right to mere fiscal neutrality. As the *Serrano* decision makes clear, the Supreme Court left that issue open. See *Askew* v. *Hargrave*, 401 U.S. 476 (1971). The reasoning of the California court on this point is completely persuasive and this Court adopts it as its own. *Serrano* v. *Priest, Supra* at 615–618.

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[12] As with the conjunction of poverty and the voting interest in *Harper* v. *Virginia Board of Elections*, 383 U.S. 663 (1966), or poverty and the interest in access to appellate review as in *Griffin* v. *Illinois*, 351 U.S. 12 (1956).

[13] The *Serrano* opinion states the idea:

"We need not decide whether such decentralized financial decision-making is a compelling state interest, since under the present financing system, such fiscal freewill is a cruel illusion for the poor school districts . . . . Far from being necessary to promote local fiscal choice, the present financing system actually deprives the less wealthy districts of that option . . . ." 5 Cal. 3d at 611

[14] This Court in no way suggests to the Minnesota Legislature that it adopt any one particular financing system. Rather, this memorandum only recognizes a constitutional standard through which the Legislature may direct and measure its efforts. For an explication of some of the numerous school financing systems available which meet the equal protection standard, see Guthrie, Kleindorfer, Levin and Stout, *Schools and Inequality* (1971); Coons, Clune, and Sugarman, *Private Wealth and Public Education* (1970), and "Educational Opportunity: A Workable Constitutional Test for State Financial Structures," 57 Cal. L. Rev. 305 (1969).

Therefore, this Court concludes that the allegations of the plaintiff childrens' complaint state a cause of action and that a system of public school financing which makes spending per pupil a function of the school district's wealth violates the equal protection guarantee of the 14th Amendment to the Constitution of the United States. In accordance with the foregoing memorandum,

IT IS ORDERED that the motions of defendants to dismiss the action are denied.

The Court will retain jurisdiction of the case but will defer further action until after the current Minnesota Legislative session.

MILES W. LORD,
United States District Judge.

Dated: October 12, 1971

RODRIGUEZ *v.* SAN ANTONIO

Civ. Action 68–175SA (W.D. Tex. 1971)

PER CURIAM

Pursuant to rule 23, Federal Rules of Civil Procedure, plaintiffs bring this action on behalf of Mexican-American schoolchildren and their parents who live in the Edgewood Independent School District, and on behalf of all other children throughout Texas who live in school districts with low property valuations. Jurisdiction of this matter is proper under 28 U.S.C. §§ 1331, 1343. This Court finds merit in plaintiffs' claim that the current method of State financing for public elementary and secondary education deprives their class of equal protection of the laws under the 14th amendment to the U.S. Constitution.[1]

Edgewood and six other school districts lie wholly or partly within the city of San Antonio, Tex. Five additional districts are located within rural Bexar County. All of these districts and their counterparts throughout the State are dependent upon Federal, State, and local sources of financing. Since the Federal Government contributes only about 10 percent of the overall public school expenditures, most revenue is derived from rural sources and from two State programs: the available school fund and the minimum foundation program. In accordance with the Texas constitution, the $296 million in the available school fund for the 1970–71 school year was allocated on a per capita basis determined by the average daily attendance within a district for the prior school year.

Costing in excess of $1 billion for the 1970–71 school year, the minimum foundation program provides grants for the costs of salaries, school maintenance, and transportation. Eighty percent of the most of this program is financed from general State revenue with the remainder apportioned to the school districts in "the local fund assignment." Tex. Educ. Code Ann. arts. 16.71–16.73 (1969). Although generally measuring the variations in taxpaying ability, the economic index employed by the State to determine each district's share of "the local fund assignment" (Tex. Educ. Code Ann. arts. 16.74–16.78) has come under increasing criticism.[2]

To provide their share of the minimum foundation program, to satisfy bonded indebtedness for capital expenditures, and to finance all expenditures above the State minimum, local school districts are empowered within statutory or constitu- §§ 3, 3a; Tex. Educ. Code Ann. art. 20.01, et seq. Since additional tax levies must be approved by a majority of the property-tax-paying votes within the individtional limits to levy and collect ad valorem property taxes. Tex. Const. art 7, nal district, these statutory and constitutional provisions require as a practical matter that all tax revenues be expended solely within the district in which they are collected.

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[1] See *Serrano* v. *Priest*, 5 Cal. 3d 584, —— P. 2d —— (1971); and *Van Dusartz* v. *Hatfield*, —— F. Supp. —— (D. Minn. 1971). Serrano convincingly analyzes discussions regarding the suspect nature of classifications based on wealth, and Van Dusartz points out that in this type case "the variations in wealth are state created. This is not the simple instance in which the poor man is injured by his lack of funds. Here the poverty is that of a government unit that the state itself has defined and commissioned."

[2] See "The Challenge and the Chance," Rpt. of the Governor's Comm. on Public School Educ. 58–68 (1968). The accuracy of the Economic Index is the subject of separate litigation in *Fort Worth Ind. School Dist.* v. *J. W. Edgar*, (N.D. Tex., Fort Worth Div.).

Within this ad valorem taxation systems lies the defeat which plaintiffs challenge. This system assumes that the value of property within the various districts will be sufficiently equal to sustain comparable expenditures from one district to another. It makes education a function of the local property tax base. The adverse effects of this erroneous assumption have been vividly demonstrated at trial through the testimony and exhibits adduced by plaintiffs. In this connection, a survey of 110 school districts[3] throughout Texas demonstrated that while the 10 districts with a market value of taxable property per pupil above $100,000 enjoyed an equalized tax rate per $100 of only 31 cents, the poorest four districts, with less than $10,000 in property per pupil, were burdened with a rate of 70 cents. Nevertheless, the low rate of the rich districts yielded $585 per pupil, while the high rate of the poor districts yielded only $60 per pupil. As might be expected, those districts most rich in property also have the highest median family income and the lowest percentage of minority pupils, while the poor property districts are poor in income and predominantly minority in composition.[4]

Data for 1967–68 show that the seven San Antonia school districts follow the statewide pattern. Market value of property per student varied from a low of $5,429 in Edgewood, to a high of $45,095 in Alamo Heights. Accordingly, taxes as a percent of the property's market value were the highest in Edgewood and the lowest in Alamo Heights. Despite its high rate, Edgewood produced a meager $21 per pupil from local ad valorem taxes, while the lower rate of Alamo Heights provided $307 per pupil.

Nor does State financial assistance serve to equalize these great disparities. Funds provided from the combined local-State system of financing in 1967–68 ranged from $231 per pupil in Edgewood to $543 per pupil in Alamo Heights. There was expert testimony to the effect that the current system tends to subsidize the rich at the expense of the poor, rather than the other way around. Any mild equalizing effects that State aid may have do not benefit the poorest districts.

For poor school districts, educational financing in Texas is, thus, a tax-more, spend-less system. The constitutional and statutory framework employed by the State in providing education draws distinction between groups of citizens depending upon the wealth of the district in which they live. Defendants urge this court to find that there is a reasonable or rational relationship between these distinctions or classifications and a legitimate State purpose. This rational basis test is normally applied by the courts in reviewing State commercial or economic regulation. See, for example, *McGowan* v. *Maryland*, 366 U.S. 420 (1961); *Williamson* v. *Lee Optical of Oklahoma*, 348 U.S. 483 (1955). More than mere rationality is required, however, to maintain a State classification which affects a "fundamental interest" or which is based upon wealth. Here both factors are involved.

These two characteristics of State classification, in the financing of public education, were recognized in *Hargrave* v. *McKinney*, 413 F. 2d 320, 324 (5th Cir. 1969), *on remand*, *Hargrave* v. *Kirk*, 313 F. Supp. 944 (M.D. Fla. 1970), vacated on other grounds sub nom., *Askew* v. *Hargrave*, 401 U.S. 476 (1971). Among the authorities relied upon to support the *Hargrave* conclusion "that lines drawn on wealth are suspect" is *Harper* v. *Virignia Bd. of Elections*, 383 U.S. 663, 668 (1965).[5] In striking down a poll tax requirement because of the possible effect upon indigent voting, the Supreme Court concluded that:

> . . . [l]ines drawn on the basis of wealth or property, like those of race . . . are traditionally disfavored. . . . To introduce wealth or payment of a fee as a measure of a voter's qualifications is to introduce a capricious or irrelevant factor.

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[3] The total number of districts in the State is approximately 1,200.

[4] Plaintiffs' Exhibit VIII shows 1960 median family income of $5,900 in the top ten districts and $3,325 in the bottom four. The rich districts had eight per cent minority pupils while the poor districts were seventy-nine percent minority.

[5] In addition, the court relied upon Douglas v. California, 372 U.S. 353 (1963), and Griffin v. Illinois, 351 U.S. 12 (1956), which are decisions invalidating state laws that discriminated against criminal defendants because of their poverty.

Likewise *McDonald* v. *Bd. of Elections Comm'rs of Chicago*, 394 U.S. 802, 807 (1969), noted that:

> . . . a careful examination on our part is especially warranted where lines are drawn on the basis of wealth . . . which would independently render a classification highly suspect and thereby demand a more exacting judicial scrutiny.

Further justification for the very demanding test which this court applies to defendants' classification is the very great significance of education to the individual. The crucial nature of education for the citizenry lies at the heart of almost 20 years of school desegregation litigation. The oft repeated declaration of *Brown* v. *Bd. of Education*, 347 U.S. 483, 493 (1954), continues to ring true:

> Today, education is perhaps the most important function of State and local governments. Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society. It is required in the performance of our most basic public responsibilities, even service in the Armed Forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment. In there days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the State has undertaken to provide it, is a right which must be made available to all on equal terms.

Because of the grave significance of education both to the individual and to our society, the defendants must demonstrate a compelling State interest that is promoted by the current classifications created under the financing scheme.

Defendants insist that the Court is bound by the opinions in *McInnis* v. *Shapiro*, 293 F. Supp. 327 (N.D. Ill. 1968), aff'd mem. sub. nom., 394 U.S. 322 (1969); and *Burrus* v. *Wilkerson*, 310 F. Supp. 572 (W.D. Va. 1969), aff'd mem. sub. nom. 397 U.S. 44 (1970). However, we disagree.

The development of judicially manageable standards is imperative when reviewing the complexities of a State educational financing scheme. Plaintiffs in *McInnis* sought to require that educational expenditures in Illinois be made solely on the basis of the "pupils educational needs." Defining and applying the nebulous concept "educational needs" would have involved the court in the type of endless research and evaluation for which the judiciary is ill-suited.[6] Accordingly, the Court refused the claim that the equal protection clause of the 14th amendment demands such an unworkable standard. The subsequent affirmance, without opinion, by the Supreme Court would not, in our opinion, bar consideration of plaintiffs' claim that lines in Texas have been drawn on the basis of wealth. The same situation prevails with respect to *Burrus* where the Court, in referring to the "varying needs" of the students, found the circumstances "scarcely distinguishable" from *McInnis*.

In the instant case plaintiffs have not advocated that educational expenditures be equal for each child.[7] Rather, they have recommended the application of the principle of "fiscal neutrality." Briefly summarized, this standard requires that the quality of public education may not be a function of wealth, other than the wealth of the State as a whole. Unlike the measure offered in *McInnis*, this proposal does not involve the Court in the intricacies of affirmatively requiring that expenditures be made in a certain manner or amount. On the contrary, the State may adopt the financial scheme desired so long as the variations in wealth among the governmentally chosen units do not affect spending for the educational of any child.

Considered against this principle of "fiscal neutrality," defendants' arguments for the present system are rendered insubstantial. Not only are defendants unable to demonstrate compelling State interests for their classifications based upon wealth, they fail even to establish a reasonable basis for these classifications. They urge the advantage of the present system in granting decisionmaking power to individual districts, and in permitting local parents to determine how much they desire to spend on their children's schooling. However, they lose sight of the fact that the State has, in truth and in fact, limited the choice of financing by guaranteeing that "some districts will spend low (with high taxes) while others will spend high (with low taxes)."[8] Hence, the present system does not serve to promote one of the very interests which defendants assert.

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[6] Difficulties in defining the term are discussed at note, 293 F. Supp. 329.

[7] Indeed, it is difficult to see how the defendants reach a contrary conclusion since even the McInnis plaintiffs did not request precisely equal expenditures per child.

Indicative of the character of defendants' other arguments is the statement that plaintiffs are calling for "socialized education." Education, like the Postal Service has been socialized, or publicly financed and operated almost from its origin. The type of socialized education, not the question of its existence, is the only matter currently in dispute. One final contention of the defendants however calls for further analysis. In essence, they argue that the State may discriminate as it desires so long as Federal financing equalizes the differences. Intially, the Court notes that plaintiffs have successfully controverted the contention that Federal funds do, in fact, compensate for State discrimination.[9] More importantly, defendants have not adequately explained why the acts of other governmental units should excuse them from the discriminatory consequences of State law. *Hobson v. Hansen, supra*, 269 F. Supp. at 496, countered defendants' view by finding that the Federal aid to education statutes:[10]

> . . . are manifestly intended to provide extraordinary services at the slum schools, not merely to compensate for inequalities produced by local school boards in favor of their middleincome schools. Thus, they cannot be regarded as curing any inequalities for which the Board is otherwise responsible.

Since they were designed primarily to meet special needs in disadvantaged schools, these funds cannot be employed as a substitute for State aid without violating the congressional will. Further support for this view is offered by a series of decisions prohibiting deductions from State aid for districts receiving "impacted areas" aid.[11] Performance of its constitutional obligations must be judged by the State's own behavior, not by the actions of the Federal Government.

While defendants are correct in their suggestion that this court cannot act as a "superlegislature," the judiciary can always determine that an act of the legislature is violative of the Constitution. Having determined that the current system of financing public education in Texas discriminates on the basis of wealth by permitting citizens of affluent districts to provide a higher quality education for their children, while paying lower taxes, this court concludes, as a matter of law, that the plaintiffs have been denied equal protection of the laws under the 14th amendment to the U.S. Constitution by the operation of article 7, section 3 of the Texas constitution and the sections of the education code relating to the financing of education, including the minimum foundation program.

Now it is incumbent upon the defendants and the Texas Legislature to determine what new form of financing should be utilized to support public education.[12]

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[8] As the Court said in Van Dusartz v. Hatfield, supra, note 1: "By its own acts, the State has indicated that it is not primarily interested in local choice in school matters. In fact, rather than reposing in each school district the economic power to fix its own level of per pupil expenditure, the State has so arranged the structure as to guarantee that some districts will spend low (with high taxes) while others will spend high (with low taxes). To promote such an erratic dispersal of privilege and burden on a theory of local control of spending would be quite impossible."

[9] Plaintiffs' Exhibit 8, Table X, indicates that while Edgewood receives the highest Federal revenues per pupil of any district in San Antonio, $108, and Alamo Heights, the lowest, $36, the former still has the lowest combined local-State-Federal revenues per pupil, $356, and the latter the highest, $594

[10] The statutes involved were the Economic Opportunity Act, 42 U.S.C. §§ 2781–2791 (1964); the Elementary and Secondary Education Act, 20 U.S.C. §§ 241a–411 (1970 Supp.), and federally impacted areas aid, 20 U.S.C. §§ 236–244 (1964), *as amended*, (1970 Supp.).

[11] These cases have held that the statute clearly provides that the aid is intended as special assistance to local educational agencies, and that to permit a reduction in state aid would violate the Congressional intent. Douglas Ind. School Dist. No. 3 v. Jorgenson, 293 F. Supp. 849 (D. S.D. 1968); Mergenroter v. Hayden, 295 F. Supp. 251 (D Kan. 1968); Shepheard v. Godwin, 280 F. Supp. 869 (E.D. Va. 1968); Carlsbad Union School Dist. v. Rafferty, 300 F. Supp. 434 (S.D. Cal. 1969), *aff'd*, 429 F. 2d 337 (9th Cir. 1970), and Triplett v. Tiemann, 302 F. Supp. 1244 (D. Neb. 1969). After these actions arose, the statute was amended to prohibit aid to schools in any state which has "taken into consideration payments under this subchapter in determining the eligibility of any local educational agency in that State for State aid. . . ." 20 U.S.C. §§ 240(d)(2) (1969).

[12] On October 15, 1969 this Court indicated its awareness of the fact that the Legislature of Texas, on its own initiative, had authorized the appointment of a committee to study the public school system of Texas and to recommend "a specific formula or formulae to establish a fair and equitable basis for the division of the financial responsibility between the State and the various school districts of Texas". It was then felt that ample time remained for the committee to "explore the facets and all possibilities in relation to the problem area", in order for appropriate legislation to be enacted not later than the adjournment of the 62d Legislature, and since the legislature appeared ready to grapple with the problems involved, the trial of this cause was held in abeyance pending further developments. Unfortunately, however, no action was taken during the 62d Session which has adjourned. Hopefully, the Governor will see fit to submit this matter to one or more special sessions so that members of the legislature can give these complex and complicated problems their undivided attention.

The selection may be made from a wide variety of financing plans so long as the program adopted does not make the quality of public education a function of wealth other than the wealth of the State as a whole.

Accordingly, It is ordered that:

1. The defendants and each of them be preliminarily and permanently restrained and enjoined from giving any force and effect to said article 7, section 3 of the Texas constitution, and the sections of the Texas education code relating to the financing of education, including the Minimum Foundation School Program Act (ch. 16), and that defendants, the commissioner of education and the members of the State board of education, and each of them, be ordered to reallocate the funds available for financial support of the school system, including, without limitation, funds derived from taxation of real property by school districts, and to otherwise restructure the financial system in such a manner as not to violate the equal protection provisions of both the United States and Texas constitutions;

2. The mandate in this cause shall be stayed, and this court shall retain jurisdiction in this action for a period of 2 years in order to afford the defendants and the legislature an opportunity to take all steps reasonably feasible to make the school system comply with the applicable law; and without limiting the generality of the foregoing, to reallocate the school funds, and to otherwise restructure the taxing and financing system so that the educational opportunities afforded the children attending Edgewood Indepenednt School District, and the other children of the State of Texas, are not made a function of wealth, other than the wealth of the State as a whole, as required by the equal protection clause of the 14th amendment to the U.S. Constitution. In the event the legislature fails to act within the time stated, the court is authorized to and will take such further steps as may be necessary to implement both the purpose and the spirit of this order. See *Swann v. Adams*, 263 F. Supp. 25 (S.D. Fla. 1967); *Klahr v. Goddard*, 254 F. Supp. 997 (D. Ariz. 1966). Needless to say, the court hopes that this latter action will be unnecessary.

GOLDBERG,
U.S. Circuit Judge.
SPEARS,
Chief U.S. District Judge.
ROBERTS,
U.S. District Judge.

DECEMBER 23, 1971.

[From the School Finance Inequities, a Sample Proof]

UNITED STATES DISTRICT COURT WESTERN DISTRICT OF TEXAS SAN ANTONIO DIVISION

DEMETRIO P. RODRIGUEZ, ET AL., PLAINTIFFS, *V.* SAN ANTONIO INDEPENDENT SCHOOL DISTRICT, ET AL., DEFENDANTS

Civil action No. 68-175-SA affidavit

DISTRICT OF COLUMBIA; ss:

JOEL S. BURKE, being duly sworn, says:

I am the Director of the Educational Finance and Governance Program of the Policy Institute, Syracuse University Research Corporation, and Adjunct Professor of Political Science, Syracuse University.

The SURC Policy Institute is a not for profit research organization affiliated with legally independent of Syracuse University. The research activities of the program I direct are closely interrelated with the research and teaching activities of the Maxwell Graduate School of Syracuse University, in particular with faculty and graduate students interested in the study of public finance as it bears upon American public education.

During the last two years, I have directed the following studies related to educational finance: first, a two year study support by the Ford Foundation which investigated the patterns of allocation of federal aid to education and the decision-making patterns which underlay those decisions in Washington, D.C. and in six states, of which Texas was one. A number of articles, monographs, and a forthcoming book have resulted from that research, including *Federal Aid to Public Education: Who Benefits?* Second, for the New York State Commission on the Quality, Cost, and Financing of Education, I served as co-director of a study intended to evaluate New York's school finance program, devise alternatives, and through computer simulation demonstrate the financial impact of new aid formulas and distribution mechanisms. The report of that study is currently under consideration by two interested publishers. Third, I am executive director of a study for the United States President's Commission on School Finance intended to improve information available relating to educational finance. Fourth, I am at present a Guest Scholar at the Brookings Institution in Washington, D.C. under a grant from the Ford Foundation designed to permit me to conduct research and complete a manuscript on the political and economic aspects of equal educational opportunity. Fifth, I am co-author of a study for the United States Senate, Committee on Equal Educational Opportunity titled "Financial Aspects of Equality of Educational Opportunity".

In the conduct of this study of Texas school finance I have had the valuable assistance of a number of highly qualified colleagues. Most integrally involved in the conduct of the study which is the subject of this affidavit were Anthony Carnevale and Daniel Marcin, candidates for the Ph. D. degree at Syracuse University. Professor Seymour Sacks, one of the nation's leading scholars of the economics of education, gave invaluable advice and guidance at numerous points over the last few months and has served as principal consultant on several of the projects mentioned above which had direct relevance to this study of Texas school finance. Ronald D. White of the Policy Institute staff and Barrie L. Goldstein, now a student at George Washington University School of Law, provided assistance in the conduct of the research, as did Professor Robert Firestine of the University of Florida Urban Studies Program. While my debt to these individuals and to the organizational assistance of the Policy Institute cannot be overstated, I am fully responsible for the contents of the materials prepared for this affidavit.

INTRODUCTION AND SUMMARY

This affidavit has been prepared as a result of a study of school finance in the state of Texas directed by researchers who have spent the last two years in the analysis of the official financial records of the Texas State Education Department and the Governor's Committee on Public School Education.[1] On the basis of that analysis we conclude that the system of school finance in Texas makes the quality of education a direct function of the wealth of local school districts, providing consistently higher quality schooling in districts with higher property values per pupil and consistently lower quality education in school systems with less local resources available for taxation. Furthermore, our study demonstrates that the poorer districts tax themselves at consistently higher equalized tax rates yet realize far lower tax yields than is true in the richer districts.

Discrimination against the poor is not limited to poverty as measured by property valuation: school districts with lower median family incomes are disadvantaged in regard to the quality of school services. School systems with the highest average income have the highest school expenditures; districts with the lowest average incomes have the lowest school expenditures.

Racial discrimination is also readily apparent in Texas educational finance. There is a consistent pattern of higher quality education in districts with higher proportions of whites, and lower quality education in districts with lower proportions of whites. In short, the more Negroes and Mexican-Americans in the school population of a district, the lower its revenues for education.

The effects of these financial patterns have direct impact on the quality of education offered to Texas school children. Both the average salary levels, which are reflective of the quality of teachers, and the number of professional personnel per pupil vary directly and markedly with the revenues available per pupil. Thus, in general, the higher the revenues for the schools, the higher the quality of education in the district.

Our study also shows that responsibility for bringing about this invidious pattern of educational resource allocation rests squarely with the state for two reasons. First, the creation by the state of local districts with unequal taxable resources plays the primary part in establishing a system biased in favor of richer districts. Second, by adopting a state aid system that is insufficiently equalizing to offset the disparities among districts, discrimination against the poor in the provision of school services is assured. In the eyes of the experts who participated in our study a system more effectively designed to assure inequality of educational opportunity would be difficult to design. Yet as the data which follows will indicate, just such a system currently exists in the State of Texas as a whole and in Bexar County in particular.

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[1] For a description of the procedures and methodology used in this study, please see Appendix B.

District Wealth, Income, Race, and School Revenues

The basic measure of district wealth employed in this study is the value of equalized taxable property[1] per pupil in average daily attendance. While from an economic standpoint there are questions as to whether property value is itself an appropriate criteria of a community's ability to raise revenue, we employ that basic measure because property taxation provides virtually all locally raised revenues for education. In addition, as Table I indicates, there is a rough but important correlation between relative levels of property value and relative levels of average income in school districts: districts high in property value per pupil are high in average income; those that are moderate in property value are moderate in income level, and those low in property valuation are also low in income.

TABLE I.—THE RELATIONSHIP BETWEEN DISTRICT WEALTH, INCOME, RACE, AND SCHOOL REVENUES—TEXAS SCHOOL DISTRICTS

[Categorized by equalized property values, median family income, and State-local revenue]

Market value of taxable property per pupil [1]	Median family income from 1960 [2]	Percent minority pupils [3]	State and local revenues per pupil [4]
Above $100,000 (10 districts)	$5,900	8	$815
$100,000 to $50,000 (26 districts)	4,425	32	544
$50,000 to $30,000 (30 districts)	4,900	23	483
$30,000 to $10,000 (40 districts)	5,050	31	462
Below $10,000 (4 districts)	3,325	79	305

[1] Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

[2] 1960 U.S. census data. 1970 census data on income levels is not yet available from the U.S. Department of Commerce; however, when it is available, it can readily be supplied to the court. The projected availability date is late 1971 or early 1972.

[3] Directory of public elementary and secondary schools in selected districts, Office of Education, HEW.

[4] Op. cit., SURC.

DISTRICT WEALTH AND SCHOOL REVENUE

For purposes of analysis, we have grouped the 110 districts into categories of descending amounts of equalized property value per pupil, or in other words, descending order of community wealth. If we compare the average state and local revenues per pupil as shown on Table I with those district wealth categories, a clear and consistent relationship emerges: the richer the district, the higher the revenues available for each pupil's education. Graph I demonstrates the relationship visually, and shows how very direct and regular it is. Note also the extreme range in both wealth and expenditure categories, from well over $100,000 to well below $10,000 in valuation, and from $815 to $305 in expenditures, ratios approaching 20:1 in property value and 2:1 in expenditures. The expenditure range in our sample is an average, and is therefore a particularly compelling statistic, indicating that a regular pattern exists in which children in poor communities consistently receive an education two and one-half times less costly than children who live in wealthier places. (For the state as a whole, the ratio of the highest expenditure district to the lowest is $5,334 to $264 or 20:1.)

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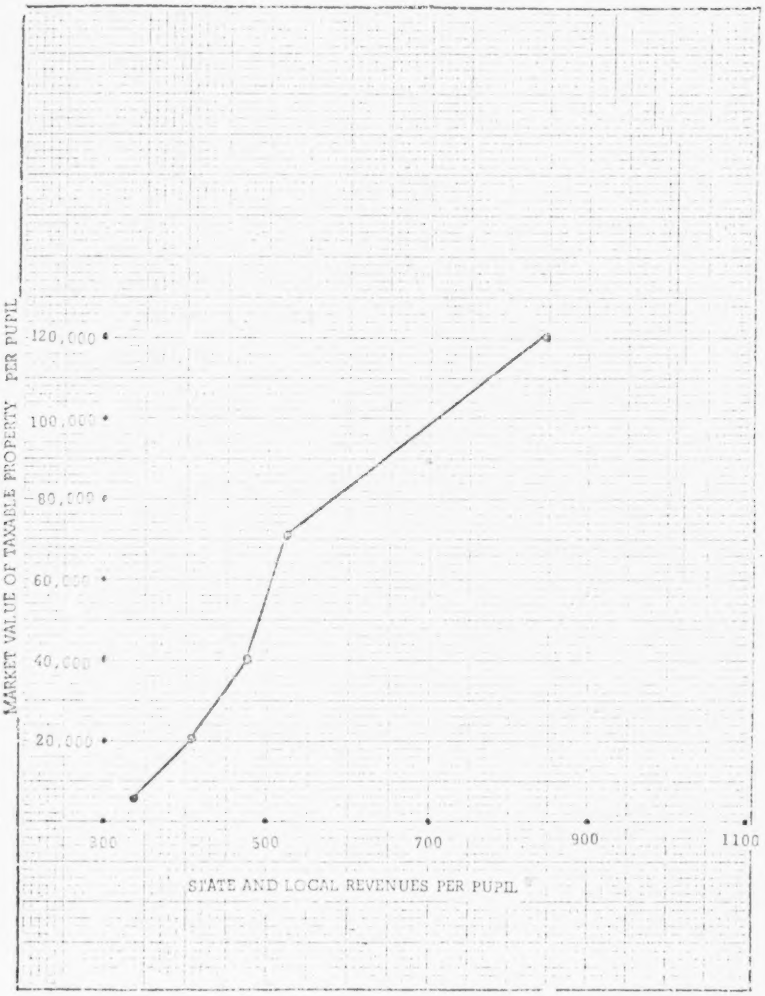
[1] See Appendix C for an explanation of "equalized taxable property".

GRAPH I

THE RELATIONSHIP BETWEEN DISTRICT WEALTH

AND STATE-LOCAL REVENUES*



* Source: Policy Institute, Syracuse University Research Corporation, Syracuse, New York.

MEDIAN FAMILY INCOME AND SCHOOL REVENUE

The relationship between income and revenues is also an important one. It shows that it is not simply governmental or jurisdictional poverty that is inversely correlated with school quality, but personal poverty as well. Table I indicates that districts in the highest category of income ($5,909) receive the most costly education and, those in the lowest income category ($3,325) receive the least expensive school services. While the relationship near the average are somewhat mixed, they do not work against the prevailing pattern because the range (only $600 in income) is too small to be meaningful. In short, as Graph II demonstrates, the directness of the association between income and school quality is clear.

RACE AND SCHOOL REVENUE

The correlation between the proportion of non-whites in the schools and the quality of school services is precisely the reverse of the income-school services relationship. That is, the lower the proportion of non-whites, the higher the school expenditures; the higher the proportion of minority group enrollment, the lower the resources devoted to education. Again, as in the income relationship, the Table I and Graph III show some small inconsistency in the three middle categories, but the direction of the numbers and of the line on the graph tell an eloquent and vivid story of denial of equal educational opportunity.

A similar relationship was found between the percentage of Mexican-American pupils and school expenditures in a study conducted by the U.S. Commission on Civil Rights. Their examination of Texas school systems with at least 10% Mexican-American enrollment showed that with a minor anomaly in the category of districts with the lowest proportion of non-whites, school expenditures declined as the proportion of non-whites increased.

CHART 1. EXPENDITURES PER PUPIL IN ADA IN TEXAS

DISTRICTS 10 PERCENT OR MORE MEXICAN-AMERICAN WITH TOTAL ENROLLMENT 300 PUPILS OR MORE

[Expenditures are from State and local revenue only]

Percent Mexican-American of district enrollment	Districts in sample		Estimates for all districts	
	Number of districts	Per pupil expenditures	Number of districts	Per pupil expenditures
10-19.9	55	$457	85	$444
20-29.9	38	484	59	477
30-49.9	32	444	49	444
50-79.9	39	377	60	382
80-100	23	292	30	297

Source: U.S. Commission on Civil Rights study encompassing a random sample of districts in Texas. For the raw data, upon which the study was based, see app. D. For an explanation of the sampling techniques utilized for the Commission study, see U.S. Commission on Civil Rights, "Mexican-American Education Study, Report I: Ethnic Isolation in the Public Schools of the Southwest," pp. 7-8 (1971). A copy of the report is attached as app. E.

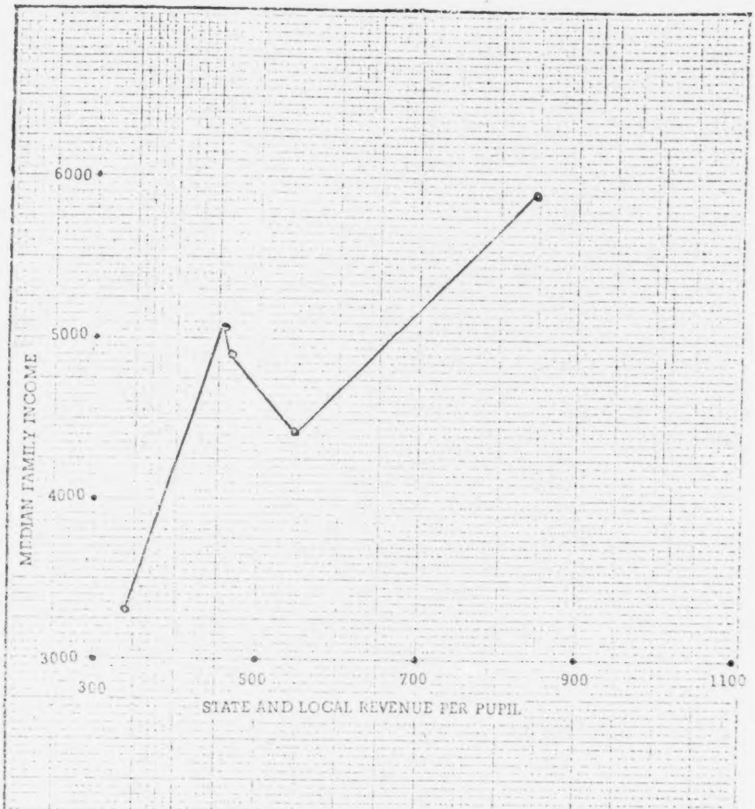
DISTRICT WEALTH AND TAX EFFORT

One of the cruel ironies in the current approach to supporting schools in Texas is that the communities which have the least money for their schools are the very districts which tax themselves most heavily to raise school revenues. Using equalized tax rates which permit comparisons among districts, Table II, shows an unbroken and consistent inverse relationship between equalized district wealth and effort. The richer a district is, the less severely it need tax itself—and as the third column on the table shows—the more it realizes in locally raised revenues. In short, as tax rates increase the amount realized decreases.

GRAPH II

THE RELATIONSHIP BETWEEN MEDIAN FAMILY INCOME

AND STATE-LOCAL REVENUES*

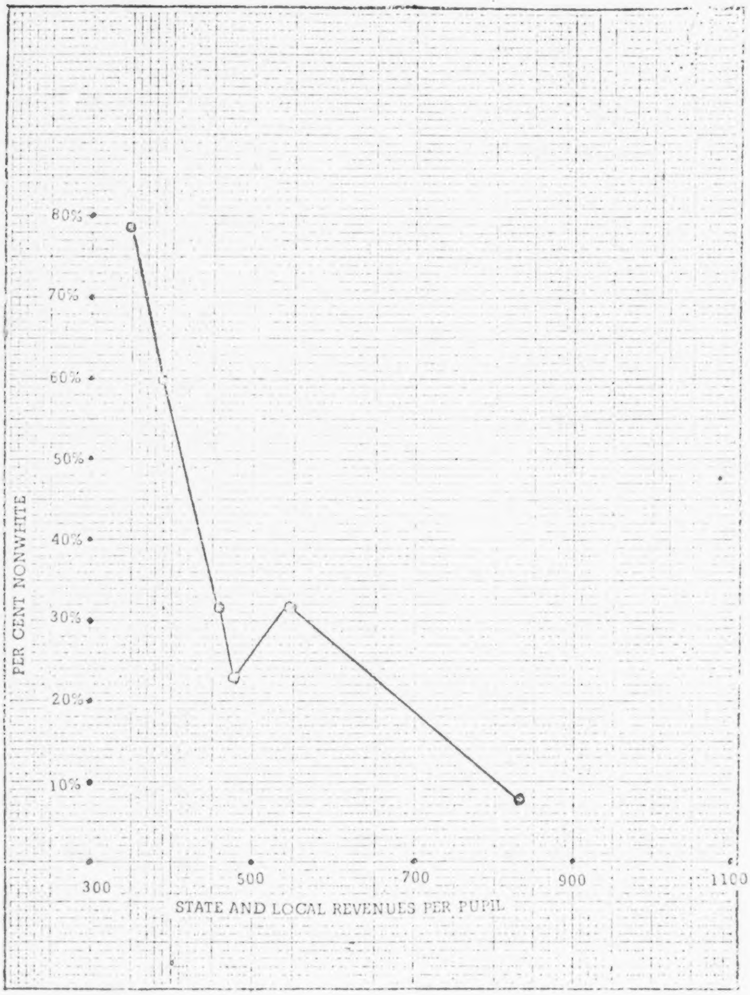


* Source: Policy Institute, Syracuse University Research Corporation, Syracuse, New York.

GRAPH III

THE RELATIONSHIP BETWEEN PER CENT NONWHITE

AND STATE-LOCAL REVENUES*



* Source: Policy Institute, Syracuse University Research Corporation, Syracuse, New York.

TABLE II. THE RELATIONSHIP OF DISTRICT WEALTH TO TAX EFFORT AND TAX YIELD

TEXAS SCHOOL DISTRICTS CATEGORIZED BY EQUALIZED PROPERTY VALUES, EQUALIZED TAX RATES,[1] AND YIELD OF RATES

Categories market value of taxable property per pupil	Equalized tax rates on $100	Yield per pupil (equalized rate applied to district market value)
Above $100,000 (10 districts)	$0. 31	$585
$100,000 to $50,000 (26 districts)	. 38	262
$50,000 to $30,000 (30 districts)	. 55	213
$30,000 to $10,000 (40 districts)	. 72	162
Below $10,000 (4 districts)	. 70	60

[1] See app. C for an explanation of the equalized tax rate.

Source: Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

DISTRICT WEALTH AND HIGHEST TAX EFFORT AND YIELD

Table III takes the relationship between district wealth and tax effort a step further. The table assumes a similar tax effort—effort made by the district with the highest tax rate in the sample—throughout all districts; and examines the resultant differences in yield. The table clearly shows that increased tax effort only magnifies the differences in possible return between wealthier and poorer districts.

TABLE III. THE RELATIONSHIP BETWEEN DISTRICT WEALTH AND HIGHEST TAX EFFORT[1]

[Texas school districts categorized by equalized property value and yield generated if highest tax rate is applied to all districts]

Categories Market value of taxable property per pupil:	Per pupil[2]
Above $100,000 (10 districts)	$2. 356
$100,000 to $50,000 (26 districts)	918
$50,000 to $30,000 (30 districts)	519
$30,000 to $10,000 (40 districts)	292
Below $10,000 (4 districts)	108

[1] Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.
[2] Hypothetical yield of highest tax rate.

Table IV concludes our analysis of the relationship between wealth and effort. It points up that increased effort is not only a futile exercise, as is apparent in Table III, but that the resulting burden increases at a much greater rate for poorer districts than for richer if they both seek to realize the highest return in our sample.

TABLE IV.—THE RELATIONSHIP OF DISTRICT WEALTH AND HIGHEST TAX EFFORT[1]

[Texas school districts categorized by equalized property value and tax rate required to generate highest yield in all districts]

Categories—Market value of taxable property per pupil:	[Tax rate needed to equal highest yield per $100]
Above $100,000 (10 Districts)	$. 64
$100,000 to $50,000 (26 Districts)	1. 49
$50,000 to $30,000 (30 Districts)	2. 58
$30,000 to $10,000 (40 Districts)	4. 88
Below $10,000 (4 Districts)	12. 83

[1] Source: Policy Institute, Syracuse Universit[illegible]ch Corp., Syracuse, N.Y.

THE RELATIONSHIP BETWEEN [illegible] WEALTH AND STATE AND FEDERAL AID

Given these disparities in lo[illegible]ue raising ability, how effectively is the Texas equalization aid system [illegible]ng? The answer may be found in Table V. While there appears to be a mild equalizing direction in the state aid system, its equalizing effect fails to operate in favor of the poorest districts. In other words, wealthier districts receive less aid than poorer ones in four of the five wealth categories, but the system provides more aid to the three categories clustered around the average than it does to the poorest class of school districts.

TABLE V. THE RELATIONSHIP BETWEEN DISTRICT WEALTH AND SCHOOL REVENUES, REVENUES OF TEXAS SCHOOL DISTRICTS,[1] CATEGORIZED BY EQUALIZED PROPERTY VALUES AND SOURCE OF FUNDS

Market value of taxable property per pupil	Local revenues per pupil	State revenues per pupil	State and local revenues per pupil (cols. 1 and 2)	Federal revenues per pupil	Total revenues per pupil (State-local-Federal, cols. 1, 2, and 4)
Above $100,000 (10 districts)	$610	$205	$815	$41	$856
$100,000 to $50,000 (26 districts)	287	257	544	66	610
$50,000 to $30,000 (30 districts)	224	260	484	45	529
$30,000 to $10,000 (40 districts)	166	295	461	85	546
Below $10,000 (4 districts)	63	243	305	135	441

[1] Source: Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

Possibly more important than its failure to aid adequately the neediest districts is the mildness of its equalizing tendencies. In a state where state aid provides more money for education than do local revenues, steeply equalizing financial program could redress the imbalances among districts in local revenue capacity. In Texas that does not happen. State aid provides only $52 more to the second richest category than to the highest despite a local revenue gap of over $320. Between the next two categories state aid provides virtually no equalization despite a local gap of more than $60. As local revenue falls off most steeply, state aid, as already noted, fails to equalize.

State action, then, has created a system of financing the public schools of Texas that is characterized by marked disparities in educational expenditures. Those disparities have arisen because the state has created local districts with unequal sources of revenue and then has adopted a state aid system that fails to overcome those inequities. Federal aid, on the other hand, indicates how an equalizing system can operate. Although the amounts of federal aid are too small to compensate for the disparities that arise from state action, with the exception of the middle category of districts in Table V federal aid flows in greater magnitudes to poorer school systems.

THE RELATIONSHIP OF DISTRICT WEALTH TO EDUCATIONAL QUALITY

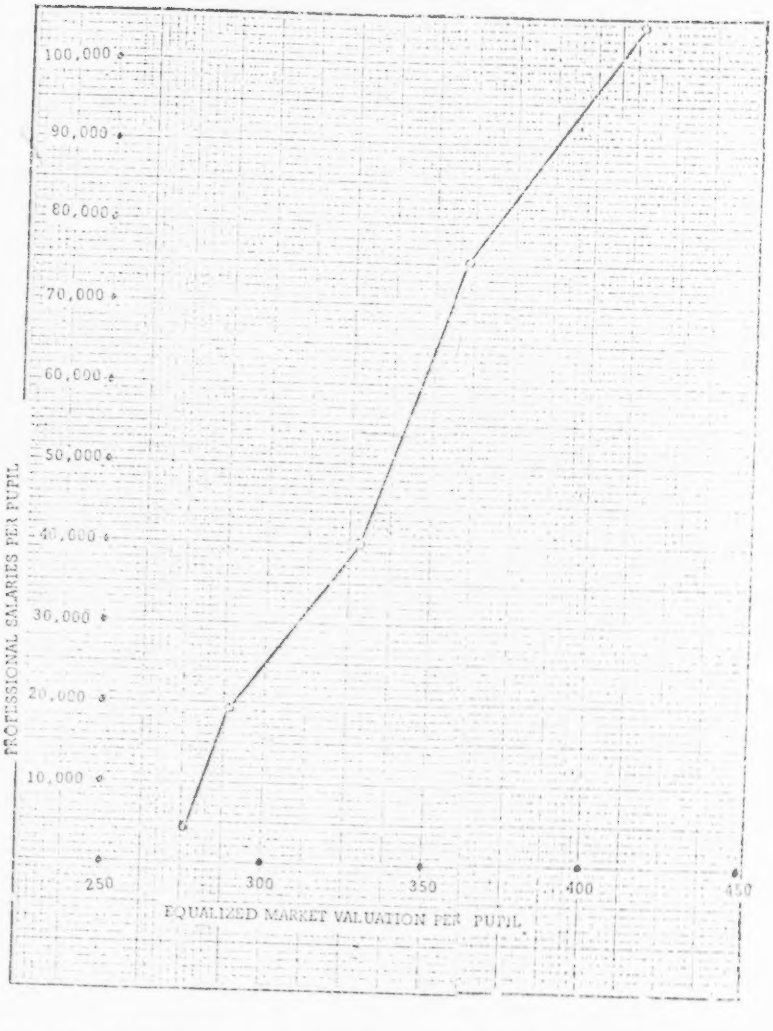
In the preceding discussion we have demonstrated the inequities and disparities that characterize school support in Texas. That analysis has been conducted in terms of revenues, tax rates, equalized property value and the like. But what is most pressing about the problems we have uncovered is that they have a direct and ascertainable impact on the quality of education afforded youngsters by the state of Texas. While a variety of indicators might be used, we have selected two as examples of the differences in educational quality that exist among school districts.

The first indicator is related to the quality of professional personnel (teachers, guidance counselors, administrators, etc.) in the district. It takes the average cost per pupil for professional personnel, thus subsuming a number of factors including professional training, length of tenure, pupil teacher ratio, and other less tangible factors. While in individual cases no one would argue that a particular higher salaried professional is more skilled or valuable than one earning slightly less, in aggregate terms and over large numbers of individuals, research suggests that the more a system pays for its staff in comparison with other districts, the better the quality of its personnel. Table VI and Graph V show the relationship. Without exception, the wealthier the district the higher the professional cost per pupil.

GRAPH V

RELATIONSHIP BETWEEN PROFESSIONAL SALARIES

PER PUPIL AND EQUALIZED VALUATION PER PUPIL *



* Source: Policy Institute, Syracuse University Research Corporation, Syracuse New York.

TABLE VI. THE RELATIONSHIP OF DISTRICT WEALTH TO EDUCATIONAL QUALITY

[Texas school districts categorized by equalized property valuation, and selected indicators of school quality]

Market value of taxable property per pupil	Professional salaries per pupil	Professiona personnel per 100 pupils
Categories:		
Above $100,000 (10 districts)	413.12	5.57
$100,000 to $50,000 (26 districts)	359.72	5.17
$50,000 to $30,000 (30 districts)	327.66	4.84
$30,000 to $10,000 (40 districts)	290.16	4.37
Below $10,000 (4 districts)	276.65	4.54

Source: Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

The second indicator of quality tells virtually the same story. When the ratio of professional personnel to pupils is examined, with the slight exception that the bottom two categories exchange places, the poorer the district, the higher the ratio of teachers per 100 pupils. (See Table VI and Graph VI.)

In short, higher revenues for education are important because they purchase higher quality education. As we have shown, richer districts not only have the higher revenues but do spend them for more and higher quality teachers, administrators, and guidance counselors.

BEXAR COUNTY

Besides examining Texas school finance through the representative sample of 110 school districts, we have also studied a subsample composed of the six districts in Bexar County which happened to be a part of our larger sample. For a few criteria, we have been able to locate reliable data, and in those instances we have shown relationships for the entire county. In either situation, the six or the twelve district Bexar County subsample, patterns do not emerge as clearly as they have for the statewide study. Exceptions and anomalies crop up due to the small number of districts within Bexar County. Yet despite some statistical muddiness, when we conducted an analysis that was parallel to that conducted on the 110 district sample, the conclusions we reached were essentially identical with those we find in the larger study.

DISTRICT WEALTH, INCOME, RACE AND STATE-LOCAL REVENUE

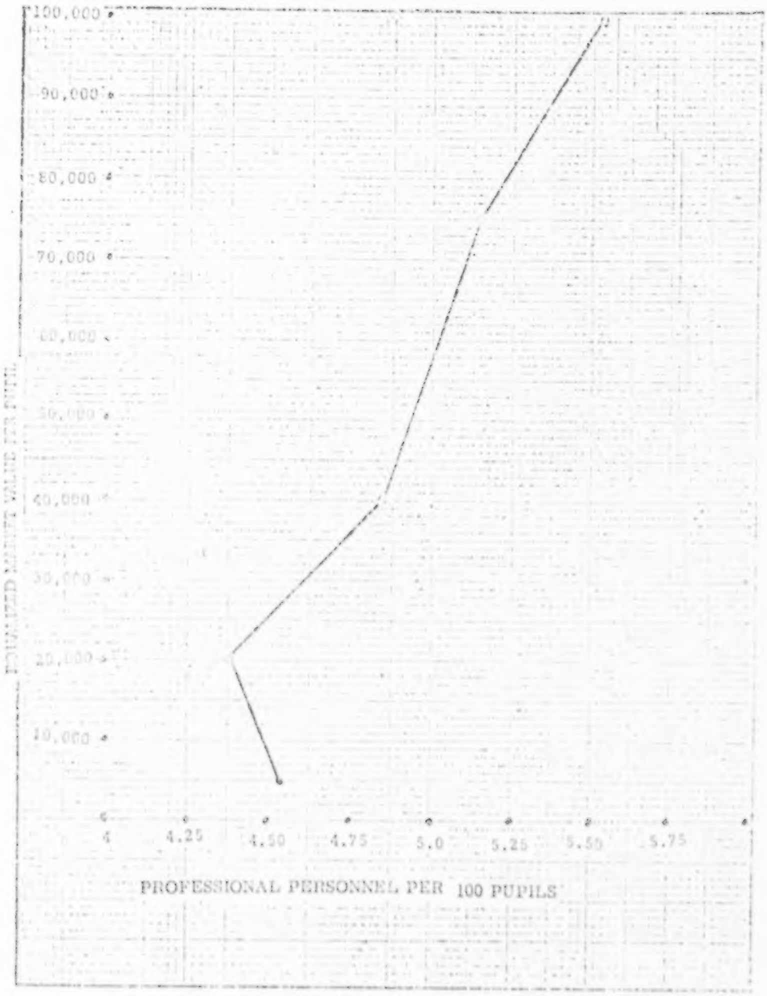
The relationship of district wealth, income, race, and school expenditures in Bexar County holds no surprises to readers of this study. As district wealth as measured by property value declines, so do per pupil expenditures from state and local revenues. Again, as in the state as a whole, we find a wide range of variation, nearly 10:1 in property values, and better than 2:1 in expenditures. While these variations are somewhat smaller than those we found in the state 110 district sample, the fact that variations of that magnitude exist within a single county is remarkable. For the districts on the short end of those discrepancies, the effects are particularly difficult, since they are often in direct competition with their more favored neighbors for personnel and other school resources.

Income variations are both wide and strongly correlated with school expenditures. Table VII shows the familiar Texas pattern: more affluent districts provide consistently more expensive school services. Similarly the relationship between race and revenues is as readily apparent in Bexar County as it is in Texas generally. While, as noted above, there are more anomalies in the middle range of wealth in this small sample than we found in the larger, the nature of small, nonrepresentative samples would suggest no other outcome.

GRAPH V.

THE RELATIONSHIP OF PROFESSIONAL PERSONNEL TO

EQUALIZED MARKET VALUE PER PUPIL *



* Source: Policy Institute, Syracuse University Research Corporation, Syracuse, New York.

TABLE VII.—RELATIONSHIP BETWEEN DISTRICT WEALTH, INCOME, RACE, AND STATE-LOCAL REVENUE

[Selected Bexar County school districts ranked by market valuation median family income, proportion of nonwhite pupils, and State-local revenue]

School districts ranked from high to low by market value per pupil [1]	Median family income from 1960 census [2]	Percent minority pupils [3]	State-local revenue per pupil [4]
Alamo Heights (49,478 market value per pupil)	$8,184	14	$558
Northeast (28,202 market value per pupil)	5,900	7	415
San Antonio (21,944 market value per pupil)	4,691	72	553
North Side (20,794 market value per pupil)	4,600	18	362
Harlandale (11,345 market value per pupil)	4,436	62	323
Edgewood (5,96[illegible] market value per pupil)	3,405	75	248

[1] Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.
[2] Ibid.
[3] Director of Public Elementary and Secondary Schools In Selected Districts, O.E., HEW.
[4] Op. cit., Syracuse University Research Corp.

DISTRICT WEALTH AND TAX EFFORT

Perhaps the greatest deviation from statewide patterns appears in tax effort. The phenomenon of poorer districts exerting higher tax effort yet realizing lower yields does not emerge as a consistent pattern. Indeed, as Table VIII (page 26) shows, tax effort appears to be statistically unrelated to district wealth. But this much is clear: there is no suggestion that poorer districts like Edgewood have a lower level of effort than their more fortunate Bexar County neighbors.

TABLE VIII.—THE RELATIONSHIP OF DISTRICT WEALTH TO TAX EFFORT AND TAX YIELD

[Bexar County school districts ranked by property values, equalized tax rates, and yield of rates]

Districts ranked high to low by market valuation per pupil	Equalized tax rates on $100 [1]	Yield per pupil (equalized rate applied to district market value) [2]
Alamo Heights	$.68	$343.00
Judson	.27	106.00
East Central	.35	109.65
Northeast	.56	173.46
Somerset	.33	87.61
San Antonio	.62	136.05
North Side	.52	108.13
Southwest	.27	60.19
South Side	.39	64.61
Harlandale	.51	59.13
South San Antonio	.61	101.73
Edgewood	.42	26.23

[1] Computed from Market Valuations and Assessed Valuation in The Governor's Committee on Public Education: The Challenge and the Chance, 1968 and Actual Tax Rates from the Public School Directory, Texas Education Agency, 1967-68.
[2] Computed from op. cit., the Governor's Committee on Public Education: The Challenge and the Chance, 1968, and op. cit., SURC Data.

DISTRICT WEALTH AND HIGHEST TAX EFFORT AND YIELD

Employing the same analytical technique as we did for the larger sample, however, we find that even if the poorer districts were to expend tax effort equal to the highest effort of any district in the county, the resultant differences in yield would consistently favor the wealthy. Thus, in order to realize a yield equal to the highest district in the county, poorer districts would have to expend consistently greater effort than would those with higher property valuation per pupil. This phenomenon is demonstrated in Table IX.

TABLE IX. RELATIONSHIP BETWEEN DISTRICT WEALTH AND HIGHEST TAX EFFORT

[Bexar County districts ranked by equalized property value and tax rate required to generate highest yield in all districts]

Districts ranked from high to low market valuation per pupil:	Tax rate per $100 needed to equal highest yield[1]
Alamo Heights	$0.68
Judson	1.04
East Central	1.17
Northeast	1.21
Somerset	1.32
San Antonio	1.56
North Side	1.65
Southwest	2.10
South Side	3.03
Harlandale	3.20
South San Antonio	5.77
Edgewood	5.76

[1] Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

RELATIONSHIP OF DISTRICT WEALTH TO STATE AND FEDERAL AID

When we examine the relationships among different sources of funding in Table X a crucial effect emerges once again. State aid is unable to offset inequities in relative capacities to finance education that grow out of differences in local taxable resources. Ranging from $225 for Alamo Heights, the wealthiest district, to $250 in Harlandale, the next to the poorest (whose property value per pupil is but one fifth of that in the wealthiest) is about as mild a pattern of equalization as one could devise. When the fact that Edgewood with less than one twelfth the valuation per pupil of Alamo Heights gets only $3.00 more in state aid, it would appear that there is no meaningful equalization through state resources in Bexar County.

TABLE X. THE RELATIONSHIP BETWEEN DISTRICT WEALTH AND SCHOOL REVENUES

[Revenues of selected Bexar County school districts ranked by property values and source of funds]

Selected districts from high to low by market valuation per pupil	Local revenues per pupil[1]	State revenues per pupil[2]	State and local revenues per pupil[3]	Federal revenues per pupil[4]	Total revenues per pupil (State local Federal)[5]
Alamo Heights	$333	$225	$558	$36	594
Northeast	182	233	415	53	468
San Antonio	134	219	353	69	422
North Side	114	248	362	81	443
Harlandale	73	250	323	71	394
Edgewood	26	222	248	108	356

[1] Policy Institute, Syracuse University Corp., Syracuse, N.Y.
[2] Ibid.
[3] Ibid.
[4] Ibid.
[5] Ibid.

Indeed, what equalization there is amoung school districts in the area is a function of federal aid, with Edgewood receiving better than three times the allotment of Alamo Heights. Greater amounts of federal aid are virtually perfectly aligned with increasing poverty in the County.

SCHOOL EXPENDITURES AND SCHOOL QUALITY

Table XI displays the striking relationship of district wealth and school quality in Bexar County. Utilizing a wider series of indicators than we did for the larger sample, we find fairly clear patterns of direct correlations between wealth and school quality. In Bexar County as in the state as a whole, the richer school districts appear to be purchasing better quality education for their pupils.

TABLE XI. THE RELATIONSHIP BETWEEN DISTRICT WEALTH AND EDUCATIONAL QUALITY TEXAS SCHOOL DISTRICTS CATEGORIZED BY EQUALIZED PROPERTY VALUATION AND SELECTED INDICATORS OF EDUCATIONAL QUALITY

Selected districts from high to low by market valuation [1] per pupil	Professional salaries per pupil [2]	Percent teachers with [3]		Percent of total staff with emergency permits [4]	Counselor student ratios [5]	Professional personnel per 100 pupils
		College degrees	Masters degrees			
Alamo Heights	$372	100	40	11	645	4.80
Northeast	288	99	24	7	1516	4.50
San Antonio	251	98	29	17	2320	4.0[illegible]
North Side	258	99	20	17	1493	4.30
Harlandale	243	94	21	22	1800	4.00
Edgewood	209	96	15	47	3098	4.05

[1] Policy Institute, Syracuse University Research Corp., Syracuse, N.Y.

[2] Ibid.

[3] U.S. Distfict Court, Western District of Texas, San Antonio Division, Answers to Interrogatories, Civil Action No. 68 175 SA.

[4] Ibid.

[5] Ibid.

Respectfully submitted.

JOEL S. BERKE,
Director, Educational Finance & Governance Program of the Policy Institute Syracuse University Reseach Corp., Syracuse, New York.

Sworn to before me this 1st day of October, 1971.

HELEN P. MARION,
Notary Public.

My commission expires: June 1, 1975.

APPENDIX B [1]

PROCEDURES OF THE STUDY

This study of Texas school finance utilizes a representative sample of 110 selected school districts. Chosen by standard statistical procedures, the sample districts contain approximately 62% of Texas public school students. The sample is not, however, an exact microcosm of the state as a whole; by design it contains a greater proportion of large population school districts than of the smaller ones, and districts with less than 300 pupils were omitted entirely. The authors of this report believe, however, that the sample is more than adequate to indicate the effect of school finance on the great majority of Texas school children.

Procedures for establishing the sample were adapted from the Elementary and Secondary General Information Survey of the United States Office of Education. Chosen in the summer of 1969, the districts comprising the sample have served as one of the six states undergoing intensive analysis through a Ford Foundation sponsored study of federal aid to education. Data for the analysis was taken from the computer tapes and official records of the state Department of Education. The publications of the Governor's Commission and the U.S. Department of Health, Education, and Welfare have also been employed during the two years of analysis that has taken place at the Policy Institute of the Syracuse University Research Corporation. Although this report was prepared between July and October of 1971, it leans heavily on the data collection and analysis that took place during the preceding two years. The following six pages provide a detailed description of the sample and of the larger study for which is was developed.

A NOTE ON THE INFORMATION GAP IN EDUCATIONAL FINANCE

Chapter I noted critical gaps in information necessary for the formulation of educational finance policy. On some of the vital questions underlying federal educational policy, e.g., the level of expenditures of individual schools, comparative data of even minimal reliability simply do not exist. But, in regard to most of what we need to know, the reason for the "unavailability" of important information may be traced to two problems. First, data remain scattered among and within major federal agencies like United States Office of Educaion (USOE), the Office of Economic Opportunity (OEO), and the Advisory Commission on Intergovernmental Relations (ACIR), and the Census Bureau, as well as among state and local educational agencies and the National Education Association. With current staffing patterns, USOE cannot assemble and integrate materials from these varied sources.

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[1] Appendix A is not reprinted.

To illustrate: OEO has detailed information on Headstart expenditures, USOE dos not; Census and ACIR have valuable information on aspects of state and local finances relevant to the need and capacity for educational support, USOE does not utilize it. Aggregate data on federal expenditures for the nation and for states as a whole are available. But they are not available, either by separate titles or in total, on a district-by-district basis, to say nothing of separate schools within districts or of individual students. Yet to study the impact of federal aid to education, the researcher or policy maker must have figures more detailed than state-wide information. At present, he must deeply involve himself in the uneven and inconsistent record-keeping systems of the states themselves to obtain these data.

A second major reason for the absence of useful information is the lack of appropriate conceptual frameworks for examining questions of educational finance. The concept "federal aid to education" is currently interpreted by the National Center for Educational Statistics (USOE's major educational statistical bureau) to mean essentially "programs administered by USOE." Educational policy makers, therefore, often receive only the most gross of financial information related to programs like the Neighborhood Youth Corps, Operation Headstart, the Job Corps, and Manpower Development and Training.

Another problem of conceptualization relates to the penchant of schoolmen for isolating educational matters from all other areas of governance. In the world of the policy maker, however, education is but one of an infinite number of claimants for public support, and but one of a variety of services aimed at improving the quality of American life. Education, therefore, must be seen in relation to other factors for effective policy making. For example, financial need for state and federal aid in school districts is related to the total package of services receiving support from local taxes; yet, collectors of educational data regularly ignore questions of municipal overburden.

The metropolitan context of the market for educational services is widely recognized by social scientists and administrators. Within metropolitan areas competitive salary levels are set and students compete for jobs after graduation. Yet educational statisticians neglect the importance of the concept of the SMSA as an interrelated regional area, and continue instead to generate county, state, and national data. Another factor important in establishing national policy is the social and economic nature of communities, but again, income, ethnic, and economic data are seldom integrated with educational material.

These varied symptoms of statistical myopia are reflected in some very tangible ways. As independent local governments in most places in the nation, school districts frequently have boundaries that are not coterminous with other governmental jurisdictions. Since most data on taxes, expenditures, income, population, and ethnic composition are collected by general governments (municipalities and counties), they are not applicable directly to school districts. This lack of coterminality has proved a real inconvenience to those seeking to examine education in relation to other governmental activities and to the larger society. Even so, such inconvenience has been overcome by many careful researchers working with census tracts and school district maps. With a less restricted view of educational relevance, however, such anachronisms long ago could have been eliminated by the nation's education agency. It is commendable that USOE has recently contracted with the Census Bureau for a limited mapping of school district boundaries in relation to general boundaries to overcome the coterminality problem. That USOE is just now facing this problem and with only a small sample is testimony to how far we still must go to provide a data base for educational policy making.

A start has now been made to break out of the inadequate procedures of data collection. Three years ago the National Center for Educational Statistics (NCES) began its Elementary and Secondary General Information Survey (ELSEGIS). A stratified sample of 1,400 school systems, later enlarged to 1,600, was directly surveyed to provide national totals on revenues, expenditures, and attendance.

The Belmont survey of the Bureau of Elementary and Secondary Education, and specifically its Consolidated Program Information Report (CPIR), will provide additional information by districts for programs evaluation purposes, and will focus on many variables related to federal programs. That these efforts in their current stage of development can serve only imperfectly as a tool for analyzing major educational policy problems, especially urban problems, is not the point. What is important is that these new approaches are underway, and that they be supported, improved, and expanded.

The immensely valuable report of the USOE Advisory Committee for Educational Finance Statistics (the Kelly Committee), submitted to the U.S. Commissioner in March of 1970, catalogues USOE's information shortcomings in systematic detail. More important, it provides a series of proposals aimed at dramatically upgrading USOE's capability to provide useful material for national educational policy making. A summary of those proposals follows:

1. Organize USOE publications of school finance data around analytical denominators relevant to significant public policy issues in American education.
2. Combine USOE data with local governmental data from the Census of Governments.
3. Solicit proposals for studies comparing ELSEGIS data with the 1970 census of population and housing when those data are available.
4. Expand ELSEGIS and other USOE survey data to include federal programs not administered by USOE.
5. Expand ELSEGIS sample to include samples within all SMSA's in which the largest 100 central cities are located.
6. Expand ELSEGIS (and Belmont Survey) sample to include all districts with more than, say, 5,000 pupils plus a random sample of school districts under that figure.
7. Collect data at the individual school and administrative unit level on educational programs, student population, personnel, revenues, expenditures, and outputs for a random sample of schools in big cities.
8. Collect and publish state data on (1) an annual basis and (2) by federal title as well as by federal act.
9. Develop mechanisms to coordinate USOE data collection activities with those of other agencies of the federal government that are in a position to provide USOE with useful data.

However, the recommendations of the Kelly Committee are as yet simply proposals, a blueprint for the future. For the present, the need of policy makers and the interested public for information on the financial impact of federal aid to education remains unmet. This report is intended to satisfy significant aspects of that need by providing systematic baseline data on federal aid and the relationship of that aid to a series of important fiscal, economic, and demographic characteristics of local school districts. The report is also intended to present analytical models that can assist policy makers in evaluating current federal policies as well as in designing more effective programs. In keeping with these purposes, data are assembled which illuminate the financial effects of federal aid for local education agencies, with particular emphasis on those serving the cities and suburbs of metropolitan areas.

Our sample was comprised, as we have seen, of 573 school districts selected on a stratified-random basis from five representative though distinctive states: California, New York, Texas, Michigan and Massachusetts. Researchers assigned to respective state capitals collected detailed financial data for each school district for the fiscal years 1965 to 1968 inclusive. While central to the study, this approach has two basic limitations. First, the sample data cannot be related readily to the financial data of overlying non-school governments because of the coterminality problem already discussed. Second, the samples contain only a limited number of the nation's largest central city school systems, systems which must be studied because of their large share of total pupil enrollment and, perhaps more importantly, because of all that we know about their threatened situation. In order to transcend these limitations, we have expanded our study to include an analysis of school finances and their relationship to other governmental expenditures in the nation's 37 largest metropolitan areas. The data on which this examination was based were obtained from published and unpublished Census Bureau sources acquired through the cooperative efforts of project researchers and personnel of ACIR.

The result of this combination of sources is a picture of the role of federal aid in the larger framework of local, state, and federal educational statistics, school systems, and metropolitan areas, and on the other hand it is extensive in its consideration of regional and national phenomena. Its analyses include comparisons of metropolitan with non-metropolitan areas, and central cities with suburban districts, and relationships between federal aid and income, race, property valuation, state aid, and locally-raised revenues. Data were examined both statically and over time.

We hope these elements of the study will contribute to closing the information gap in educational finance.

A NOTE ON METHODOLOGY

This study of the patterns of federal aid allocation has been conducted using a five-state sample (California, New York, Michigan, Massachusetts, and Texas) containing 573 school districts. This note will explain how and why we chose that sample.

In constructing the sample for this study, the basic choice that had to be made was between a nationally representative, cross-sectional selection of school districts or a sample which was representative of individual states. We decided upon the latter because it was more consistent with the major purposes of our research. Foremost among those were (1) a concern with governmental units that decide aid allocations going to school districts i.e., states, and (2) an intent to see federal aid in relation to distinctive state-local systems of educational finance. In addition, serious methodological problems plague attempts to create a single national sample of school districts: for example, property valuations are not equalized to take into account the differences in assessment practices among states, and methods for counting enrollments vary from state to state. As a result, we have undertaken our analysis with a sample composed of separate sub-samples of school districts in five states.

Selection of States

In selecting the five states to be studied, we sought a group of states that would be broadly representative of the dominant trends in educational finance, particularly of the trends which affect metropolitan areas where more than two-thirds of the nation currently reside. The states from which our school system sample was drawn contain 31 percent of the nation's total population and of its public school enrollment through grade 12, and 39 percent of the country's metropolitan population and of its metropolitan public school enrollments through grade 12. In short, with a sample selected from only five states we encompass a substantial proportion of the nation's school population. Our selection was based on more than their sizable population. Specifically our criteria were: (1) region, (2) degree of urbanism, (3) social and economic characteristics, (4) arrangements for financing elementary and secondary education, and (5) patterns of school district organization.

Region

The choice of status provides substantial regional representatives that includes the northeastern, north central, southern, and western states. All the examined states are within a different census regional division: California within the Pacific, New York the Middle Atlantic, Texas the West South Central, Michigan in the East North Central, and Massachusetts New England.

Degree of urbanism

Each of the states whose school systems we studied exceeds the other members of their respective census regional divisions in the proportion of their population classified as metropolitan. This skewing of the sample was adopted in order to provide a vehicle for understanding the relationship between federal aid and the nation's metropolitan trends. In selecting our samples within those states, however, we did include sufficient districts in all states except Massachusetts to permit us to make statements about the rural areas as well.

Social and economic characteristics

In regard to social and economic characteristics, the five states of our study differ considerably with respect to one another, but are representative of their respective regions.

Comparing the 1968 household incomes, we find that Texas, with $8,618 falls below the national average of $9,592, while all the others rank above. Michigan, with $10,899 is the most affluent; followed by New York, $10,662; Massachusetts, $10,545; and California $10,180. These average household incomes are significantly closer than those of any other state to the average income within their regional divisions.

The five states, though different in terms of household income, vary markedly in terms of the proportion of their black population. Massachusetts has 2.2 percent, California 5.6 percent, New York 8.4 percent, Michigan 9.2 percent, Texas 10.5 percent. These proportions deviate little from the appropriate regional division averages, except in the case of Texas which has a considerably lower proportion of black population than do other states in its region. However, the inclusion of Texas permits us to include urban school systems that contain large populations of Chicano children. Concentrated in the southwest, these school systems are among the poorest in the nation and therefore must not be ignored.

The sample states also differ widely in population density. With 657 persons per square mile, Massachusetts ranks as one of the three most densely settled states in the nation. Conversely, Texas with only 36 persons per square mile rates as one of the most sparsely inhabited. Population densities of the other three states are New York 351, Michigan 138, and California 100. As with other characteristics, the densities figures for the sample states are similar to those of their respective regional divisions.

Arrangements for financing education

One of the key elements in understanding systems of educational finance, is the relative distribution of revenue responsibilities between the school district and the state government. Nationally, local governments raise approximately 52 percent of all revenues, the states 41 percent, and the federal government approximately 7 percent. Behind those national averages, however, is a wide range of diverse revenue responsibility. The states in our study reflect that diversity. In regard to the percent of revenues raised by local jurisdictions, Table III-14 shows that the states in our sample accurately reflect national diversity, ranging from Massachusetts where 76 percent of revenues was raised locally to Texas where 45 percent was locally raised. State aid ranged from a low of 19 percent of total revenue in Massachusetts to a high of 50 percent in New York. In regard to federal aid, the states in the sample ranged from 3.4 percent to 10 percent. These states except Texas fell below the national average of better than 7 percent. In dollar amounts, our states varied from being among the highest in the nation to being somewhat below the average. Again our states appeared highly representative of the other states in their regional division.

Variety in state support programs was also evident. Massachusetts, Michigan, and New York, possess aid programs in which at least 80 percent of all grants is apportioned on an equalizing basis, i.e. in inverse relation to the relative fiscal ability of local school systems. In Texas slightly less than 60 percent of total aid is estimated to be equalizing, and in California, a flat grant state, it is only 33 percent. These figures, of course, do not begin to describe all the features and nuances of the various state aid systems, but they do give some idea of the strong differences which exist.

School District Organization

There is considerable variety in our sample with regard to the patterns of school district organization. All our states except Michigan possess some dependent school systems, and in Massachusetts, as in the other New England states, virtually every school system is a subdivision of a town-wide general purpose government.

California introduces a distinctive pattern. Entire school systems can be comprised of elementary grades or secondary grades or both. This arrangement complicates problems of studying educational finance, since there are considerable cost differentials in education of elementary and secondary school pupils, comparisons between districts with different grade levels of educational responsibilities must obviously be avoided.

In New York, Michigan, and Texas, a more typical pattern of school district organization exists. Common to them, as well as to the other states in the sample, a geographic pattern of district organization insures that there will be extensive social, economic, and fiscal disparities among districts in metropolitan areas. Effectively gerrymandered boundaries in all states permit privileged communities like Great Neck, Bloomfield Hills, and Alamo Heights to spend large sums on children with few educational problems while neighboring districts are able to spend relatively small amounts on students with fundamental impediments to learning.

Selection of School Districts

The process for selecting the districts within our sample was based upon the techniques of sample selection used in the USOE Elementary and Secondary General Information Survey. (Like the ELSEGIS sample, ours was chosen on a stratified, variable proportion random selection basis from the 1966–1967 Education Directory of the U. S. Department of Health, Education and Welfare.) The first step in constructing the sample was to establish for each of the five states the number of school systems falling within the following size cohorts: (1) 25,000 and over; (2) 10,000–24,999; (3) 5,000–9,999; (4) 2,500–4,999 and (5) 300–2,499. School systems with less than 300 enrolled students were excluded entirely because they are located predominantly in two or three rural midwestern states.

The second step in establishing the representative cross section was to decide upon the proportion of school systems to be selected randomly from each enrollment cohort. The ratio settled upon was as follows: 1 to 10 for all school systems with 25,000 and over; 1 to 1 for all school systems with 10,000 to 24,999; 1 to 2.5 for all school systems 5,000 to 9,999; 1 to 4.5 for all school systems with 2,500 to 4,999 and 1 to 17.5 for all school systems with 300–2,500 pupil population. These proportions were increased considerably from those used in the ELSEGIS project in order to give emphasis to the large school systems generally found in major metropolitan communities.

To select the districts for each cohort, a table of random digits was employed and the appropriate number of sample systems was selected. The result of this process was to give us a high proportion of school districts within metropolitan area: 85 percent in California, 72 percent in Massachusetts, 71 percent in New York, 65 percent in Michigan, 58 percent in Texas. In terms of the number of school systems, the sample contains 15 percent of the total in California, 14 percent in Massachusetts, 13 percent in New York, 10 percent in Michigan, and 9 percent in Texas. Because of its metropolitan school system orientation, however, this sample represents 71 percent of the fall 1966 enrollment in California, 62 percent in Texas, 60 percent in New York, 52 percent in Michigan, and 45 percent in Massachusetts.

Collection of Data

Fiscal data was collected for each of the sample districts. Research assistants spent from three to six weeks in state capitals examining a variety of official sources that reported school district revenues and expenditures. In several cases we obtained copies of the state's own computer tape. In others data were copied from official publications. More than fifty categories of financial data were obtained for the 1965–1968 fiscal years (see Exhibit B–1).

Social and economic data were later assembled for each district. Since such data are collected on the basis of general government jurisdiction and census tracts, developing accurate data for school districts required that researchers overcome problems of noncoterminality by comparing school district maps with census tracts where possible and by assigning social and fiscal data to school districts on the basis of standardized assignment formulas where tracted maps were not available. A list of the social, economic, and fiscal variables follows.

The data for the five states in our study will be made available in two forms to researchers, public officials, and others interested in educational finance: (1) a 200 page statistical workbook containing summary comparative tables and (2) computer tapes for each of the five states. Only a minimal charge will be made. Please direct requests to Federal Aid Projects, Policy Institute, 723 University Avenue, Syracuse, New York.

Phase I Fiscal Data Collection Instrument

The following data has been collected on each of the school districts in the project sample for the 1965, 1966, 1967 and 1968 fiscal years.

CARD NO. (COLS. 8-9) 01

		BALANCES ON HAND BEGINNING OF YEAR			REVENUE FROM LOCAL SOURCES			
IDENTIFICATION	DISTRICT NAME	FOR CURRENT OPERATIONS	BLDG RSRV & SCHOOL BOND INTEREST & REDEMPTION	TOTAL BEGINNING OF YEAR BALANCES	TAXATION & APPROPRIATIONS	TUITION & TRANSP FEES FROM PATRONS	OTHER LOCAL REVENUE	TOTAL REVENUE FROM LOCAL SOURCES

CARD NO. (COLS. 8-9) 02

				REVENUE FROM FEDERAL SOURCES, BY PROGRAM					
IDENTIFICATION	DISTRICT NAME	REVENUE FROM INTERMEDIATE SOURCES	REVENUE FROM STATE SOURCES	ESEA TITLE 1	ESEA TITLE 2	ESEA TITLE 3	NDEA TITLE 3	NDEA TITLE 5-A	PUBLIC LAW 815

CARD NO. (COLS. 8-9) 03

		REVENUE FROM FEDERAL SOURCES, BY PROGRAM (cont.)							
IDENTIFICATION	DISTRICT NAME	PUBLIC LAW 874	HEAD START	FOLLOW THROUGH	VOCATIONAL EDUCATION	[illegible]	ALL OTHER SOURCES FROM FEDERAL SOURCES	TOTAL REVENUE FROM FEDERAL SOURCES	TOTAL NONREVENUE RECEIPTS

CARD NO. (COLS. 8-9) 04

			CURRENT EXPENDITURES, SCHOOL YEAR 1964-1965						
IDENTIFICATION	DISTRICT NAME	INCOMING TRANSFERS	TOT OF ALL BALANCES REVENUES & TRANSFERS	ADMINISTRATION	SALARIES OF [illegible] STAFF	SALARIES OF [illegible] STAFF	TOTAL SALARIES FOR INSTRUCTION	OTHER INSTRUCTIONAL EXPENDITURES	TOTAL EXPENDITURE FOR INSTRUCTION

CARD NO. (COLS. 8-9) 05

		CURRENT EXPENDITURES, SCHOOL YEAR 1964-1965 (cont.)							
IDENTIFICATION	DISTRICT NAME	ATTENDANCE SERVICES	HEALTH SERVICES	PUPIL TRANSPORTATION SERVICES	OPERATION OF PLANT	MAINTENANCE OF PLANT	FIXED CHARGES	TOT ALLOCABLE TO PUPIL EXPENDITURES	FOOD SERVICES

CARD NO. (COLS. 8-9) 06

		CUR EXPENDS, SCH-YR, 1965-6, (cont.)			CAPITAL OUTLAY			DEBT SRV FROM CUR FUNDS	
IDENTIFICATION	DISTRICT NAME	STUDENT BODY ACTIVITIES	COMM SRVCS, SUM SCHOOLS, ADULT EDUC, & JR COLS	TOTAL CURRENT EXPENDITURE	SITES, NEW BLDGS, ADDITIONS, & IMPROVEMENTS	NEW EQUIPMENT	TOTAL CAPITAL OUTLAY	PRINCIPAL OF DEBT	INTEREST ON DEBT

CARD NO. (COLS. 8-9) 07

		DEBT SERVICE FROM CURRENT FUNDS (cont.)						
IDENTIFICATION	DISTRICT NAME	AMOUNT PAID INTO SINKING FUND	PRINCIPAL OF [illegible] TO SCHOOLHOUSING AUTHORITY	INTEREST ON EXPENSES TO SCHOOLHOUSING AUTHORITY	OTHER DEBT SERVICES	TOT EXPENDS FOR DEBT SRVCS FROM CUR FUNDS	OUTGOING TRANSFERS	TOTAL EXPENDITURES

CARD NO. (COLS. 8-9) 08

		ATND&MEM, SCH-YR 65-6	
IDENTIFICATION	DISTRICT NAME	AVERAGE DAILY ATTENDANCE	AVERAGE DAILY MEMBERSHIP

SOCIAL AND ECONOMIC DATA AVAILABLE FOR ALL SOCHOOL DISTRICTS IN THE STUDY

1960 nonworker-worker ratio*
1960 percentage of median family income under $2000*
1960 percentage of median family income over $10,000*
1960 percentage of population non-white*
1960 median family income*
1965 pupils per square mile of school district**
1965 state equalized full valuation per pupil**
State equalized tax rate expressed in mills**
1967 percentage non-white high school enrollments***

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*Source: Bureau of the Census.
**Source: Computed from appropriate state sources.
***Source: National Center for Educational Statistics, *Directory*.

APPENDIX C

DEFINITION OF TECHNICAL TERMS USED IN THIS AFFIDAVIT[1]

ASSESSED VALUE OR MARKET VALUE

Assessed values in Texas do not necessarily reflect true property values. Property in Texas is usually assessed at less than its full value. Full value or market value, therefore is determined by imputing the value of like property being sold at current market prices.

EQUALIZED TAX RATES

Equalized tax rates are actually tax rates adjusted for the *difference* between assessed and market value. This difference is usually expressed as the proportion assessed value is of full market value. The proportion is referred to as the *assessed ratio.*

The example below illustrates the concept of "equalized tax ratio". The tax effort in the different jurisdictions taxing properties A and B is equal as each is taxed an equal amount ($5,000) on equally valued property ($100,000). If one utilizes the actual tax rate as an indicator of tax effort, however, the jurisdiction taxing property A would appear to be exhibiting the greater tax effort. Hence the tax rates are equalized and thereby made comparable by multiplying each by the jurisdiction's assessment ratio.

1. ASSESSMENT

	Market value	Assessed value	Assessment ratio
Property A	$100,000	$50,000	0.50
Property B	100,000	100,000	1.00

2. TAXATION

	Tax rate	Assessed value	Yield
Property A	0.10	50,000	$5,000
Property B	.05	100,000	5,000

3. EQUALIZATION

	Assessment ratio	Tax rate	Equalized tax rates
Property A	0.50	0.10	0.05
Property B	1.00	.05	.05

SUPERIOR COURT OF NEW JERSEY LAW DIVISION—HUDSON COUNTY DOCKET No. L-18704-69

KENNETH ROBINSON, AN INFANT BY HIS PARENT AND GUARDIAN AD LITEM, ERNESTINE ROBINSON AND ERNESTINE ROBINSON, INDIVIDUALLY; PAUL JORDAN, ARTHUR DWYER, FRANK H. BLATZ, AND WILLIAM S. HART, INDIVIDUALLY AND AS MAYORS RESPECTIVELY OF JERSEY CITY, PATERSON, PLAINFIELD AND EAST ORANGE; THE CITIES OF JERSEY CITY, PATERSON, PLAINFIELD AND EAST ORANGE; THE BOARDS OF EDUCATION OF THE SCHOOL DISTRICTS OF JERSEY CITY, PATERSON, PLAINFIELD AND EAST ORANGE; THE BOARD OF SCHOOL ESTIMATE OF JERSEY CITY; AND RICHARD F. MCCARTHY; ALL INDIVIDUALLY AND AS REPRESENTATIVES OF A CLASS OR CLASSES, PLAINTIFFS

vs.

WILLIAM T. CAHILL, GOVERNOR OF THE STATE OF NEW JERSEY; JOSEPH M. MCCRANE, JR., TREASURER OF THE STATE OF NEW JERSEY; GEORGE F. KUGLER, ATTORNEY GENERAL OF THE STATE OF NEW JERSEY; RAYMOND H. BATEMAN, PRESIDENT OF THE NEW JERSEY SENATE AND THE NEW JERSEY SENATE; WILLIAM K. DICKEY, SPEAKER

OF THE GENERAL ASSEMBLY OF THE STATE OF NEW JERSEY AND THE GENERAL ASSEMBLY OF THE STATE OF NEW JERSEY; THE STATE OF NEW JERSEY; CARL L. MARBURGER, COMMISSIONER OF EDUCATION AND THE DEPARTMENT OF EDUCATION; THE STATE BOARD OF EDUCATION; ALL IN THEIR OFFICIAL AND INDIVIDUAL CAPACITIES, DEFENDANTS.

Civil Action Opinion

Decided: January 19, 1972.

Mr. Harold J. Ruvoldt, Jr., for plaintiffs (Messrs. Ruvoldt and Ruvoldt, attorneys).

Mr. Stephen G. Weiss,* for defendants (Mr. George F. Kugler, Jr., Attorney General of New Jersey, attorney).

Messrs. William J. Bender and *Frank Askin* filed a brief *amicus curiae* on behalf of the Education Committee of the National Association for the Advancement of Colored People, Newark Chapter, and the American Civil Liberties Union of New Jersey (*Messrs. David G. Lubell* and *Paul Trachtenberg* of the New York Bar, of counsel).

Mr. Melville D. Miller, Jr. Staff Attorney, State Office of Legal Services, Department of Community Affairs, filed a brief *amicus curiae* on behalf of the poor of New Jersey (Mr. Carl Bianchi, attorney).

Mr. Robert A. Coogan filed a brief *amicus curiae* on behalf of Gerald K. Loeb (Messrs. Saling, Moore, O'Mara and Coogan, attorneys).

BOTTER, J.S.C.: This action challenges the constitutionality of the system of financing elementary and secondary public schools of New Jersey. The case is similar to cases in other states, such as California, Minnesota and Texas, where conflict with the Fourteenth Amendment equal protection clause was asserted recently.[1]

Also present are questions of state constitutional law, namely, whether the equal protection and education clauses of the State Constitution are violated by New Jersey's statutory financing scheme.

Plaintiffs in this action include residents, taxpayers, and officials of Jersey City, Paterson, Plainfield, East Orange and the Township of Berlin (Camden County).[2] They assert claims on behalf of all persons in New Jersey who have similar interests. Defendants include branches of State government and State officials who have or may have functions to perform in the enactment or administration of laws dealing with education and State financing.

The system of financing public education in New Jersey relies heavily on local property taxes. It produces wide disparities in educational expenditures. Plaintiffs contend that public school education is a State function which must be afforded to all pupils on equal terms. They contend that a "thorough" education is afforded to some pupils but denied to others, and that the system discriminates also against property owners who are taxed at different rates throughout the state for the same public purpose.[3]

The Attorney General, defending the constitutionality of our state statutes concedes that differences in expenditures exist, and that inadequacies are present in some schools. He contends, however, that the statutory system is constitutional; that the "State School Incentive Equalization Aid Law," commonly known as the Bateman Act,[4] will increase State aid for certain deprived districts and will greatly reduce discrepancies caused by district wealth variations; that unequal expenditures do not necessarily prove unequal education; and that local control and responsibility to meet various interests justify the present system of shared funding. The court is urged to defer to the Legislature's judgment in an area as complex as education.

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*Mr. Weiss was an Assistant Attorney General when this action was commenced and has continued with the case as Special Counsel.

[1] *Serrano v. Priest*, 5 Cal. 3d 584, 487 P. 2d 1241 (Sup. Ct. 1971); *Van Dusartz v. Hatfield*, — F. Supp. — (D. Minn. 1971); and *Rodriguez v. San Antonio Independent School District*, — F. Supp. — (W.D. Texas 1971).

[2] Richard F. McCarthy of the Township of Berlin joined as a party plaintiff in lieu of proceeding with a similar action in Camden County. Counsel for plaintiffs in a recently commenced action in Monmouth County, *Loeb v. Rorer*, filed a brief here as *amicus curiae*.

[3] Plaintiffs had also asserted a claim of *de facto* discrimination based on race or color, seeking changes in school district boundaries. This aspect of the case was severed by stipulation and will be dismissed voluntarily, but without prejudice, if plaintiff's principal attack on the financing system is upheld. A similar claim was asserted in *Spencer v. Kugler*, 326 F. Supp. 1235 (D. N.J. 1971). The court dismissed that action and an appeal is pending.

[4] Enacted October 26, 1970, effective July 1, 1971. L. 1970, c. 234. This law adopted most of the recommendations of the State Aid to School Districts Study Commission, whose chairman was State Senator Raymond H. Bateman of Somerset County. The Commission's report, dated December 19, 1968, is referred to as the *Bateman Report*. The Commission was created by L. 1966, c. 32. There is now a Permanent Commission on State School Support, *N.J.S.A.* 52:9N-1 *et seq.*, L. 1970, c. 233.

Public schools are financed primarily by local real property taxes augmented by various forms of "State aid," such as "formula aid," transportation aid, school building aid, lunch aid, etc., and federal aid. When this action was commenced in 1970, the State School Aid Law of 1954, as amended, was in effect. *N.J.S.A.* 18A:58–1 *et seq.*; L. 1954, c. 85, as amended. This law included a "foundation program" consisting principally of minimum aid plus equalization aid, referred to as "formula aid" because it is based on a formula.

Under the foundation program formula each district received equalization aid of $400 per pupil less its "local fair share," and in any case not less than $75 (minimum aid) per pupil. *N.J.S.A.* 18A:58–5. Cities with population over 100,000 (Newark, Jersey City, Paterson, Camden, Trenton and Elizabeth) received an additional $27 per pupil (*N.J.S.A.* 18A:58–6.1; L. 1966, c. 31); and, by virtue of *N.J.S.A.* 18A:58–6.2 (L. 1968, c. 301) all districts received another $25 per pupil. Local fair share was defined as the equivalent of the amount of revenue that could be raised locally with a tax of $1.05 per $100 of equalized valuations (10½ mills per dollar). *N.J.S.A.* 18A:58–4.

Equalized valuations is the term applied to the true market value of taxable real property in a district as determined by the State Director of the Division of Taxation through studies of recent sales. *N.J.S.A.* 54:1.1 *et seq.* Under this law, aggregate assessments in each taxing district are adjusted to produce an equalized or true market value for the district. See *In re Appeals of Kents 2124 Atlantic Ave., Inc.*, 34 *N.J.* 21, 26–27 (1961). Equalized valuations are used to establish uniformity in the distribution of State aid despite unequal assessing practices. See *Switz v. Middletown Twp.*, 23 *N.J.* 580, 586 (1950).

Thus, under the foundation program, every district received per pupil, $100, plus the difference, if any, between $325 and the local fair share (plus $27, if the district was one of the 6 largest cities). By 1969–70, however, every school district in the state had annual budgets which exceeded the level "guaranteed" by the foundation program. The statewide average was over $800 per pupil. Today, two years later, the statewide average current expense per pupil is $1,009. All districts, therefore, had to finance the excess expenditure by local taxes, in addition to the local fair share. Some districts, of course, whose local fair share was high, received only the minimum aid of $100 per pupil.

Our principal concern is the Bateman Act which was passed while this action was pending. The complaint was amended to bring that Act under attack. However, the foundation plan is still relevant because the Legislature funded the Bateman Act for 1971–72 at a "20%" level, defined as that amount which would have been paid in 1971–72 under the foundation plan, plus 20% of the difference between that aid and Bateman Act aid if Bateman were fully funded. *N.J.S.A.* 18A:58–18.1. For next year, 1972–73, this ratio has been raisd to 40%. L. 1971, c. 335, adopted December 7, 1971.

The details of the Bateman Act will be discussed later. This introduction is simply to show that the increase in formula aid under the Bateman Act in the first year has been negligible in most districts. Some poor districts received significant increases, however, especially those who benefited by the weighting factor in the formula for AFDC children (aid to families with dependent children).[5] However, relatively few school districts had an increase of $50 or more per pupil in 1971–72. Among the larger increases were $67.48 for Asbury Park, $80.41 for Camden, $109.82 for Newark, $98.51 for Trenton and $54.58 for Jersey City. The largest increase was $115.95 for Winfield Township, the poorest district in taxable property per pupil. Thus, under the present law school districts continue to raise the bulk of their funds by local taxes. On a statewide basis local taxes pay for about 67% of public school costs, federal aid is about 5%, and the balance (28%) comes from State funds.

In 1971–72 the principal items of State aid allocable to current expenses—formula aid under Bateman ($245,013,900), state transportation aid ($31,270,200), atypical pupil aid ($32,688,900), school lunch ($6,500,000) and vocational education aid ($3,479,000)—constituted approximately 21% of the aggregate of all current expenses. Current expenses for all districts are approximately $1.5 billion.[6]

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[5] *Bailey v. Engelman*, 56 N.J. 54 (1970 describes the nature and statutory basis of the AFDC program, at p. 56.

[6] Other significant State appropriations in 1971–72 going toward local school costs are approximately $116 million for the teachers' pension fund and $30.5 million for school building aid.

Fully funded and implemented, the Bateman Act would significantly improve upon the foundation plan in equalizing local revenue-raising power. However, school costs have been increasing at a rate of approximately 10% per year. The average increase is close to $100 per pupil annually. See *Basic Statistical Data of New Jersey School Districts, Bulletin A71-2* (July 1971), published by the New Jersey Education Association, hereinafter referred to as *NJEA Bulletin*, at p. 14. Thus, increases in Bateman formula aid at "20%" increments per year will not offset the annual rise in school costs except, possibly, in a few districts. Accordingly, the statistics in Schedule A, annexed hereto, based in part on pre-Bateman data and in part on post-Bateman data, furnish a reasonable basis for evaluating the present system.

I. THE SCHOOL SYSTEM

> There is also an artificial aristocracy, founded on wealth and birth * * *. The artificial aristocracy is a mischievous ingredient in government, and provision should be made to prevent its ascendency.
>
> * * * At the first session of our legislature (in Virginia) after the Declaration of Independence, we passed * * * laws, drawn by myself, (which) laid the ax to the foot of pseudo-aristocracy. And had another which I prepared been adopted by the legislature, our work would have been complete. It was a bill for the more general diffusion of learning. This proposed to divide every county into wards * * * like your townships; to establish in each ward a free school for reading, writing and common arithmetic; to provide for the annual selection of the best subjects from these schools, who might receive at the public expense, a higher degree of education at a district school * * *. Worth and genius would thus have been sought out from every condition of life and completely prepared by education for defeating the competition of wealth and birth for public trusts.
>
> —THOMAS JEFFERSON,
> *in a letter to John Adams, 1813.*[7]

There are 51 type I districts (*N.J.S.A.* 18A:9-2); the remainder, including regional (*N.J.S.A.* 18A:13-1 to 50) and consolidated (*N.J.S.A.* 18A:8-25 to 41) school districts, are type II districts (*N.J.S.A.* 18A:9-3). In a type I district, members of the board of education are appointed by the chief executive officer of the municipality. *N.J.S.A.* 18A:12-7. In a type II district they are elected by the public at an annual school election. *N.J.S.A.* 18A:12-11. In all districts the board of education proposes the annual school budget. It is then submitted for approval to the voters at the school election in a type II district (*N.J.S.A.* 18A:22-33), or to the board of school estimate in a type I district (*N.J.S.A.* 18A:22-7).[8] If rejected by the voters in a type II district, the governing body must fix the budget. In a type I district, the board of school estimate may reject the proposed budget by certifying a lesser amount of money to the governing body. The municipal governing body must appropriate the amount certified, unless it exceeds 1½% of assessed valuations, in which case a lesser sum may be fixed. *N.J.S.A.* 18A:22-15, 17.[9] See *Board of Education of City of Elizabeth v. City Council of the City of Elizabeth*, 55 *N.J.* 501 (1970); *Board of Education of the Township of East Brunswick v. Township of East Brunswick*, 48 *N.J.* 94 (1966).

If the budget adopted by the governing body in a type I or type II district is less than that proposed by the board of education, that board may appeal to the Commissioner. The Commissioner may then restore part or all of the budget cuts "within the limits originally proposed by the board of education" if he finds those funds are necessary to assure a "thorough and efficient" school system. See *East Brunswick* case, *supra*, 48 *N.J.* at p. 107. In no case has the Commissioner fixed a budget which exceeded the local board's proposed budget, although he may have the power to do so.[10]

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[7] Brown, Stuart G., ed., *We Hold These Truths*, Harper & Brothers (New York: 1941), pp. 114-116.

[8] The board of school estimate is composed of the mayor and two other members of the municipal governing body and two members of the board of education. *N.J.S.A.* 18A:22-1.

[9] By 1969 approximately 75% of all type I districts had school budgets which exceeded 1½% of assessed valuations. New Jersey Urban School Development Council, *The Status of Equal Educational Opportunity in New Jersey's Model Cities*, p. 202 hereinafter referred to as *N.J. Model Cities Report*.

[10] An early phase of this action concerned Jersey City's 1970-71 budget. The governing body had provided a "caretaker" budget which did not include money for teachers' salaries. An appeal was taken by the board of education to the State Commissioner. He raised the budget to the amount originally requested by the local board. This court then entered an order, on defendants' application, compelling Jersey City to raise its share in accordance with the mandate of the Commissioner.

The State Board of Education has overall control and supervision of public school education in the state (*N.J.S.A.* 18A:4–10), and is authorized to adopt rules and regulations for carrying out the state school laws, *N.J.S.A.* 18A:4–15. The Commissioner is the chief executive officer of the State Department of Education. He is the agent of the State Board for all purposes. *N.J.S.A.* 18A:4–22. *N.J.S.A.* 18A:33–1 requires each school district to provide educational facilities and courses of study suited to the "ages and attainments" of all pupils. Our State Constitution requires a "thorough and efficient" system of education. Art. VIII, sec. IV, par. 1. With these provisions in mind, the Supreme Court in the *City of Elizabeth* case, *supra*, 55 *N.J.* at p. 506 said:

> Thus it is the duty of the Commissioner to see to it that every district provides a thorough and efficient school system. This necessarily includes adequate physical facilities and educational materials, proper curriculum and staff, and sufficient funds.

The State Board has adopted regulations which offer consulting services for the purpose of improving elementary school programs. However, no minimum curriculum or standards of achievements for elementary schools have been fixed by regulations, although authorized by statute. *N.J.S.A.* 18A:4–25. State control of instructional standards is exercised largely through certification of teachers and investigation of facilities and programs by the office of the county superintendent. The county superintendent is appointed by the Commissioner with approval of the State Board. *N.J.S.A.* 18A:7–1.

More control is exercised over secondary education. Local boards of education must develop a high school program and submit it to the State Board for approval. *N.J.A.C.* 6:27–1a. The program must be found sufficient to meet the needs of students to "stimulate each pupil to achieve the highest level of attainment of which he is capable." *N.J.A.C.* 6:27–1d. State regulations also require adequate staff, equipment and facilities and teaching loads that permit "a reasonable amount of attention * * * to the individual needs of the pupils." *N.J.A.C.* 6:27–8b.

The Commissioner has the power to direct the abandonment of part or all of a school building and to order alterations. *N.J.S.A.* 18A:20–36. The Commissioner, through county superintendents, has the power to withhold State aid from any district which does not provide suitable facilities and courses of study. *N.J.S.A.* 18A:33–2. However, the Commissioner has used these powers sparingly. Withholding state aid compounds problems whose major source is inadequate funds in the first place. Closing outmoded school buildings without the funds to build a replacement presents practical difficulties. What will you do with the children? On rare occasions the Commissioner has condemned a high school program as totally inadequate. In one case this resulted in the formation of a regional district of adequate size and efficiency.

But the net of practical considerations is that the quality of education has been left largely in local hands. Local school boards and municipal officials obviously consider not only educational needs but also the sentiment of the taxpaying public. School budget rejections by voters are commonplace. In 1969, a record number of budgets were rejected, namely, 170 of 524, or 32.4%. *N.J. Model Cities Report*, *supra*, at p. 205. Also, bonds for construction of school facilities have been voted down in 41% of all elections in 1969-70. Harold P. Seamon, Jr., "Bond Sales for Public School Purposes in New Jersey," *School Board Notes* (Sept./Oct. 1971) at p. 20. As a practical matter, therefore, budgets fixed by local boards have restrained the Commissioner's enforcement of our constitutional and statutory requirements for a thorough education. Local property taxing power is the primary force under public school education in our present system.

II. Fiscal Comparisons

> The people of this State constitute a commonweath, and in the prosperity of this commonwealth all the citizens have an equal interest.* * *
>
> New Jersey recognizes the wisdom of this in assessing a uniform rate of tax upon each citizen for the support of her schools, in proportion to the amount of property he possesses, and in apportioning the amount thus raised to the several school districts on the basis of their school census. * * *
>
> Every true man * * * should be proud of his State * * *. He should rejoice to see all her children receive an education, whether they live in counties made wealthy by cities and by concentrated manufacturing industries, or in those still

poor, with their primitive forests. If he has wealth, he should willingly give his share for the education of the children of the poor * * *.

ELLIS A. APGAR,
State Superintendent of Public Instruction.
New Jersey School Report, 1878.

The financial effects of our present system are shown in Appendix A. Appendix A includes approximately 25% of all operating districts in the state. Statewide averages and total enrollment are shown on the first line of page 1. Districts are arranged in each county in the order of highest to lowest in per pupil equalized valuations. The most recent data (1971-72) has been used where available. Some data which is two years old (1969-70) had to be used because more curent data was not available. For example, teachers' salaries per pupil are 1969-70 figures. Since expense per pupil figures are for 1971-72, teachers' salary costs must be increased by approximately 20% because of inflation in order to correlate teachers' salary costs with current expenses. See *NJEA Bulletin*, p. 14.

Districts listed in Schedule A include in most cases the highest and lowest in equalized valuations per pupil in each county, and a random sampling of districts in between, and one or two regional districts (column 1). Current expense per pupil, 1971-72 (column 2) includes the cost of instruction, administration, transportation, maintenance, fixed charges (such as insurance costs and pension contributions) and certain sundry accounts. Debt service is not included. (Total statewide debt service in 1971 is estimated at $130 million, or $87 per pupil.) Professional staff per 1,000 weighted pupils, 1969-70, (column 5) does not use the weighting formula of the Bateman Act; it uses the weighting formula in the *NJEA Bulletin*, p. 18, which is slightly lower and does not include a weighting factor for AFDC children. Professional staff includes special services, guidance and supervisory personnel, and administrators, equated to full time positions. Equalized school tax rate (column 8) is the school tax levied (including any debt service payable by the municipality in type I districts) using equalized valuations. The sources of this data are noted below.[11]

The most obvious aspect of Appendix A is district to district diversity. However, diversity alone may not prove differences in the quality of education. Many factors may account for differences in expenditure. Districts spend more for high school than elementary school programs; variations in the cost of living across the state may affect the cost of education; districts very in size (Greater Egg Harbor Regional High School district is over 339 square miles while Victory Gardens in Morris County is 0.14 square miles). Transportation costs and certain fixed costs and capital expenditures may represent a higher per pupil expense in one district than another. Other factors may affect efficiency and costs, so that higher costs will not always connote better education. Moreover, differences in class size (as reflected in column 3 of Appendix A) may not appreciably affect the quality of education. Nor is teacher performance necessarily a direct reflection of his or her salary level.

Nevertheless, Appendix A shows a distinct pattern in every county in the state. In most cases, rich districts spend more money per pupil than poor districts; rich districts spend more money on teachers' salaries per pupil; rich districts have more teachers and more professional staff per pupil; rich districts manage this with tax rates that are lower than poor districts, despite "equalizing" aid. The same conclusion was reached by Engelhardt, Engelhardt and Leggett, education consultants to The Committee to Study the Next Steps of Regionalization and Consolidation in the School Districts of New Jersey. *A Pilot study of School District Reorganization* (1968), pp. 26-27, hereinafter called, *Pilot Study*. (The foregoing committee was appointed in 1967 pursuant to resolution of the State Board of Education. The committee's report of April 1969 is referred to as the *Mancuso Report*, after Rath H. Mancuso, chairman.) The *Pilot Study* at page 26 also reports that there was a "direct relationship between equalized value per pupil and median teachers' salaries" with median salaries rising significantly when valuations per pupil exceeded $35,000 in 1965

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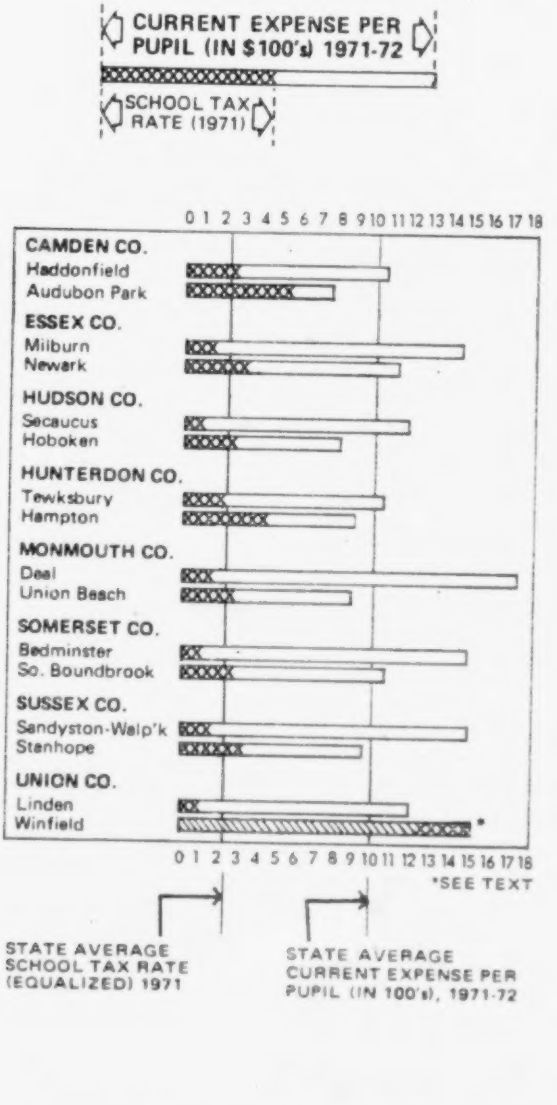
[11] Data in columns 1, 2 and 7 was furnished by the State Department of Education; data in columns 10 and 11 comes from records of the State Department of Education; column 3 was compiled from data in the *Nineteenth Annual Report of the Commissioner*; and columns 4, 5, 6, 8 and 9 are from the *NJEA Bulletin*.

Figure I, below, illustrates the relationship between valuations and expenditures and tax rates. Figure I shows that districts with high valuations spend more money per pupil on education, but have lower tax rates, nevertheless. The poorest district in the state in valuations per pupil, Winfield Township, is the last district depicted on the chart. Its bar is shaded differently to show a tax rate which exceeds in length that portion of the bar which represents expenditures per pupil.

Other characteristics tend to vary directly with valuations. Thus, with a $1.43 school tax rate compared to $3.69 in Newark, Millburn has more teachers per pupil than Newark, spend more for teachers' salaries (1969-70) per pupil ($685

FIGURE I



to $454) and has more professional staff per weighted pupil (61 to 53). In Camden County, Haddonfield and Audubon Park compare as follows: 18.9 to 27.2 pupils per teacher, $478 to $293 in teachers' salaries (1969–70) per pupil and 55 to 44 in professional staff per 1,000 weighted pupils. Thus, Haddonfield gets more with a $2.33 tax rate than Audubon Park with a $5.69 tax rate. In Monmouth County, Deal and Union Beach compare as follows: 14.8 to 26 pupils per teacher, $717 to $328 to teachers' salaries (1969–70) per pupil, and 74 to 42 in professional staff per 1,000 weighted pupils. Thus, Haddonfield gets more with a $2.33 tax rate than Audubon Park with a $5.69 tax rate. In Monmouth County, Deal and Union Beach compare as follows: 14.8 to 26 pupils per teacher, $717 to $328 in teachers' salaries (1969–70) per pupil, and 74 to 42 in professional staff per 1,000 weighted pupils. Both are K–8 districts.

Winfield Township in Union County is only 0.17 square miles in area. It has the lowest equalized valuations per pupil in the state, namely, $3,921. Despite this, its current expense per pupil for 1971–72 is $1,253, which is well above the state average. This includes approximately $500 per pupil in state aid. In 1971 the equalized school tax rate was $15.11 and the total equalized municipal tax rate was $20.14. This represents an extraordinary tax effort. It means that a taxpayer in Winfield Township pays an amount equal to the value of his residence every 7 years just to raise money for school purposes, or every 5 years to [illegible] money for school and all other municipal services. (A tax rate in excess of [illegible] is considered counterproductive since investors can own property elsewhere at lower rates. Higher tax rates may become confiscatory.)

Winfield Township was incorporated by L. 1941, c. 360, composed of land lying in part in the City of Linden and, in part, the Township of Clark. Certain other small districts which have been created by legislative action also appear to be disadvantaged economically. Victory Gardens in Morris County (0.14 square miles), incorporated by L. 1951, c. 259, has $13,023 in equalized valuations per pupil; and Audubon Park in Camden County (0.15 square miles), incorporated by L. 1947, c. 418, has $4,596 in equalized valuations per pupil. Their respective current expenses are $999 and $771 per pupil; in 1971 they had equalized school tax rates of $4.52 and $5.59 respectively. There was no evidence offered at trial directed specifically to these small districts. However, counsel have stipulated that a brief description of the origin of Winfield Township as revealed in an unpublished study may be included in the record.[12]

The statewide spectrum of valuations and expenditures can be shown best, perhaps, by looking at the total number of pupils in various ranges, regardless of location. The following tables speak for themselves (county vocational and special class districts have been omitted):

TABLE I.—VALUATIONS PER PUPIL

Equalized valuations per pupil	Number of Districts	Number of pupils
Below $10,000	4	10,593
$10,000 to $20,000	38	170,125
$20,000 to $30,000	107	287,490
$30,000 to $35,000	59	152,239
$35,000 to $40,000	64	151,419
$40,000 to $45,000	55	212,797
$45,000 to $50,000	68	168,109
$50,000 to $60,000	60	147,986
$60,000 to $90,000	81	163,044
$90,000 plus	42	21,485

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[12] Winfield Township was studied in 1946 by Robert K. Merton, Patricia S. West, and Marie Jahoda of the Bureau of Applied Social Research, Columbia University. It was chosen because of the intense community and political life of its residents which developed in part by choice and in part because of problems confronting them at the outset. The following description of its origins is taken from this study entitled, "Patterns of Social Life—Explorations in the Sociology and Social Psychology of Housing." Winfield Township was built as a mutual ownership community with federal funds furnished under the Lanham Act. It was a "workers community" sponsored by an industrial union of shipyard workers in cooperation with the Federal Works Agency.

The development encompassed approximately 110 acres. Originally there were 700 families housed in 250 buildings, most of which were 3 or 4-unit, flat-roofed structures, and approximately 75 were single and two-family homes. When Winfield Township was first settled it had no school and its children were taken by bus to nearby districts whose limited facilities made them unwelcome.

The study states that nearby municipalities did not want to assume the cost of providing community or municipal services. The study concludes that Winfield Township, therefore, was "gerrymandered" by the Legislature into an independent township that had to develop its own government and municipal services.

TABLE II.—CURRENT EXPENSE PER PUPIL

Expenditures per pupil	Number of districts	Number of pupils
Below $700	14	13, 391
$700 to $800	54	83, 917
$800 to $900	75	274, 881
$900 to $1,100	248	631, 975
$1,100 to $1,200	65	235, 522
$1,200 to $1,500	106	215, 948
Over $1,500	16	29, 653

Other comparisons can be made. Industrial and commercial property distributions were studied by Dr. Neil Gold, Director of the Suburban Action Institute. He testified that 112 municipalities with 11% of the state's population had commercial and industrial property almost equal in value to that possessed by a group of municipalities containing 39% of the state's population. The first group raised only $62 million in taxes compared with $262 million by the second group. The first group raised these taxes at a tax rate under 2% while the poorer groups taxed at rates of 6% or more. Yet most of the poorer communities must serve people of greater need because they have large numbers of dependent minorities, that is, blacks and those whose origin is Puerto Rican or Cuban. This may be illustrated by comparing 9 municipalities that can be classified as "wealthy suburban" with 5 municipalities which may be termed "central city."

TABLE III.—COMMERCIAL REALTY COMPARISONS

School district	Commercial property (millions)	1970 population (thousands)	Black and Spanish speaking pupils 1969 (percent)	Equalized school tax rate (1971)
Edison	$272	67	3. 1	1. 16
Paramus	259	28	0	1. 90
Union Township	177	53	11. 3	1. 32
Bridgewater-Raritan	162	30	. 9	2. 05
Berkley Heights	137	18	. 1	2. 04
North Brunswick	115	17	3. 0	1. 59
Mahwah	104	11	2. 0	1. 63
East Hanover	85	7	. 2	1. 73
Englewood Cliffs	65	6	. 2	1. 20
Total	1, 376	232		
Newark	665	380	81. 7	3. 69
Jersey City	298	253	56. 5	2. 82
Paterson	189	143	63. 1	2. 57
Camden	130	101	70. 8	2. 57
Trenton	109	102	73. 2	2. 80
Total	1, 391	979		

Wealthy suburbs are able to attract industry from central cities by preferential tax rates. The erosion of the central city tax base makes it more difficult for these cities to raise revenues for school and municipal purposes. This condition has developed largely in the last 20 years. During that period, in 39 major metropolitan areas of the country 85% of all industrial and commercial growth, measured by jobs, has taken place in the suburbs. In New Jersey, the rate has been 95%. The result is a declining tax base in older cities, in relative terms. Although the statewide average of equalized valuations per pupil rose from $30,112 in 1960 to $41,026 in 1971, some central cities suffered a decline in valuations per pupil in absolute or relative terms, or both. These trends are shown in Table IV below:

TABLE IV.—VALUATION TRENDS

	Enrollment	Equalized valuations per pupil
Camden:		
1960-61	17,829	$17,777
1969-70	19,915	16,487
Jersey City:		
1960-61	31,645	26,570
1969-70	37,428	26,675
Paterson:		
1960-61	21,956	21,000
1969-70	25,874	23,021
Plainfield:		
1960-61	8,529	26,771
1969-70	9,116	30,943
East Orange:		
1960-61	8,797	37,533
1969-70	10,148	32,152
State:		
1960-61	1,055,085	30,112
1969-70	1,448,686	38,172

Rising tax rates in cities compel compromises in funding services for education and other purposes. Nor is this trend likely to be reversed in the near future. What is more important and harmful is the separation of classes of people which has occurred in recent years. Social isolation aggravates the impact of economic differences in education. See *Booker v. Board of Education of Plainfield*, 45 N.J. 161, 170, 171 (1956).

There are, of course, many districts of low wealth other than central cities. But the plight of the older city, in which large numbers of black and other deprived minorities are isolated, presents an especially acute educational challenge. See Marburger, Carl A., "Considerations for Educational Planning," in A. Harry Passow, ed., *Education in Depressed Areas*, Bureau of Publications, Teachers College of Columbia University (New York: 1963), at p. 298. (Dr. Marburger is now the Commissioner of Education of New Jersey.) Of course, the state and federal governments have recognized the problem. Added school aid from both sources has been made available to these cities in recent years.[13] For a comprehensive survey of older problems see *N.J. Model Cities Report, supra.*

The decision in this case, however, does not turn upon the special needs of older, large cities. The problems presented by the school funding system in New Jersey confront many poor surburban and rural districts as well.

Thirty-two school districts in New Jersey with an enrollment of less than 2,000 pupils each have equalized valuations per pupil under $20,000; 71 more school districts with less than 2,000 pupils each have between $20,000 and $30,000 in equalized valuations per pupil. Thus, 103 small school districts have valuations per pupil of less than $30,000 at a time when the state average valuation per pupil is over $41,000. Of these 103 small districts, 72 or approximately 70%, spend less than $900 per pupil for current expenses at a time when the state average is $1,009. Bear in mind that the state averages are brought down by the poorer districts. This may have reflected itself in the testimony of Dr. Edward Kilpatrick, Assistant Commissioner in charge of the Division of Administration

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[13] Total federal aid for district programs as well as State administration was about $95 million in 1970-71, plus $12 million for areas affected by federal activity. The largest segment was in Title I funds (Elementary and Secondary Education Act of 1965, Title I, Public Law 89-10, as amended), $43 million in statewide total.

Examples of municipalities receiving substantial amounts of Title I funds are (in thousands):

Atlantic City	$1,165	Morristown	101
Camden	2,660	Newark	9,046
Deptford	116	N. Brunswick	581
East Orange	631	Orange	289
Elizabeth	891	Passaic	587
Englewood	196	Paterson	2,286
Franklin Twp	173	Perth Amboy	406
Jersey City	2,787	Phillipsburg	114
Hoboken	710	Plainfield	452
Lakewood	302	Pleasantville	238
Long Branch	389	Salem	135
Millville	163	Trenton	1,706

and Finance, State Department of Education, when he said that $1,200 per pupil would fund a fine educational program, looking at dollars alone.

Table II above shows that only 21% of all school districts, with 17% of the statewide enrollment, have current expense budgets of $1200 or more. On the other end of the scale are 143 districts, with 372,189 pupils, or 25% of statewide enrollment, with current expense budgets under $900. One district, Tabernacle Township in Burlington County, a K–8 district with 511 pupils, has a current expense budget of $561 per pupil. This is the lowest expenditure in the state. As will be shown later, the Bateman Act offers the least aid to poor rural and suburban districts which have a low AFDC population component.

III. Quality of Education

> "Come, Tom," said Mother.
> "Are you ready for school?
> Are you ready, Betty?
> Run to school, Tom.
> Run fast, Betty."
>
> —Ousley and Russell,
> *On Cherry Street,*
> (A Ginn Basic Reader.)

The quality of elementary and secondary education in New Jersey probably runs from good to excellent in the vast majority of school districts. In some it is not simply poor, it is inadequate. Unfortunately, this case deals with the problems we have, not our successes.

The Commissioner does not systematically test achievement levels of students although he is authorized by *N.J.S.A.* 18A:4–24 to do so in order to ascertain the "throughness and efficiency" of any public school. The Commissioner apparently hears about certain problem schools from county superintendents who know where the trouble spots are. High school programs are approved by the Department of Education, and these schools are examined by state teams every 5 years. However, there is no published general evaluation of the condition of education in New Jersey. One may wonder why this is so when we are dealing with the most important function of our government, spending over $1.7 billion per year on our most valuable asset, the children of this state. An evaluation system can be readily devised. Each school could be required to administer tests and submit reports of some uniform type so that comparisons could be made. In any case, the closest we came in the testimony was by one witness, Joseph Clayton, a former Assistant Commissioner and, for a time, Acting Commissioner. He testified that about 20% of our school districts have schools that furnish inadequate education, though not necessarily all schools in the district. No estimate was given of the number of pupils involved. These schools are in poor rural areas, in old cities, and in poor suburbs as well.

If nationwide comparisons are of any help, 1970–71 figures show that New Jersey ranks high, 3rd in the nation, in current expenditure per pupil. Only New York and Alaska were higher. New Jersey ranked 6th in average salaries of secondary school teachers ($10,250) and 8th in average salaries of elementary school teachers ($9,875). Research Division, National Education Association, *Rankings of the States, 1971*, Research Report 1971 R1 at pp. 21, 22, 62. These rankings are consistent with the wealth of New Jersey residents: 3rd in personal income per child of school age ($17,087) and 7th in per capita personal income ($4,241) in 1969. *Ibid.* pp. 30, 32.

But averages conceal disparities. The question is not how well we are doing on the average; the question is whether New Jersey's system of financing public schools creates impermissible disparities between rich and poor districts in educational opportunity, as well as tax burden. The Attorney General disputes the conclusion that mere differences in dollar expenditures prove differences in the quality of education. He doubts the ability of the court to grapple with an issue as large and complex as the public school system; and there is some merit to both of these contentions. However, based on probabilities and expert opinion, in this as well as other kinds of cases, some conclusions can be drawn. As might be expected, there is a correlation between dollar expenditures and input (such as teachers and facilities), and between input and output (results).

The criteria proposed by the State Board and the Permanent Commission (see n. 3) for classifying districts under the Bateman Act (to be discussed later) include input and output measurements. In budget appeals the Commissioner himself decides on a case by case basis what funds are necessary for a "thorough" education and what are not. In doing so he looks at the proposed use for the funds and the specific needs claimed. He has also examined statistics in those categories which are included in Schedule A as some general gauge of the quality of education in the system. For example, in the 1969 budget appeal by the Board of Education of Englewood Cliffs, seeking to restore funds rejected by the voters and the governing body, the Commissioner noted that Englewood Cliffs was among the highest in expenditures per pupil, salary schedules, facilities and equipment, and had one of the lowest pupil-staff ratios in the state. *New Jersey School Law Decisions* (1969), at p. 105. It is one of the few districts with closed-circuit television. The Commissioner found that these were the products of high community aspirations and a very favorable tax base. The Commissioner decided that Englewood Cliffs was spending enough, and he refused to restore any of the budget cuts.

How much is enough may be difficult for anyone to answer. However, it is less difficult to decide when input and output both are inadequate.

The principal ingredient in good education is good teachers. This, of course, is hard to measure statistically. One witness testified that high intellectual and verbal skills of a teacher are invariably associated with good teaching and good results. However, there are no available statistical comparisons of this quality in our teachers. Other measures have to be used for the purposes of this case. We have already noted that poorer districts have fewer teachers and less professional staff per pupil. A great enough difference may make the task of some teachers more difficult, allowing for less specialization and less preparation time for each subject. Some evidence was also submitted showing that wealthy districts have a higher percentage of teachers with advanced degrees. For example, the percentage of teachers with a master's degree in Millburn is 47%, in Princeton Regional, 41%, and in Englewood, 39%. In Jersey City it is 23%, Newark, 18%, and Camden, 13%. *The Pilot Study, supra*, at p. 27, found that only one school district with equalized valuations of less than $30,000 per pupil in 1965 had a staff of which 30% or more had a master's degree. The evidence also shows that there is more teacher turnover in the poorer districts, with teachers leaving for more attractive school systems in wealthy suburban areas. These aspects allow some correlation between the quality of teaching and the wealth of the district, even though you don't need a master's degree to be a good teacher.

Other input factors include school buildings, equipment, text books and library facilities. There is ample evidence to show the correlation between wealth and the quality of these facilities, and that severe inadequacies exist in many poor districts.

In Paterson, 7 of 26 elementary schools in use were built between 1887 and 1890. Many buildings do not meet state standards for lighting and saftey equipment. Only 2 or 3 schools have a library or librarian. Cafeteria and recreation areas are inadequate. Similar conditions can be found in other districts. In East Orange, where 54% of the population is black but 90% of pupil enrollment is black, 8 of 12 buildings were built before 1914, including one in 1873 and one in 1893. Instructional space equivalent to 76 classrooms is located in basement and attic areas, and 19 relocateable classrooms are in use. These sub-standard classrooms serve approximately 2,000 pupils. In Plainfield, the health room in one school has no sink or toilet.

In the city of Camden, 8 of 34 schools in use (over 20%) were built between 1874 and 1897. Some are three-story wooden frame structures. In some, lighting, ventilation and toilet facilities are inadequate. A study of the Camden school system by the State Department of Education was compiled in November, 1969. The report, here called the *Camden Survey*, concludes at p. F–39 that almost all elementary schools in Camden are deficient in facilities for desirable programs such as art, music, science, home economics, etc. Also needed are suitable libraries and special services such as remedial reading, speech therapy and psychological assistance. Camden has 23 school buildings on sites of one acre or less. This precludes outdoor educational programs.

Again, deficiencies are not limited to schools in the older cities. Inadequacies due to lack of financing exist in other areas of the state. For example, Pine Hill is a K–6 school district in Camden County with 874 pupils in 3 schools. Pine Hill may fall somewhere between a rural area and a suburb. Pine Hill has equalized valuations per pupil of $13,354 and a school tax rate of $3.52. Even with state aid of over $300 per pupil, the present current expense budget is only $691 per pupil. Dr. Mark Hurwitz, Executive Director of the New Jersey School Boards Association (see *N.J.S.A.* 18A:6–45), was superintendent of schools of Pine Hill from 1965 to 1967. He testified that Pine Hill's budget was voted down every year since 1954. When two submissions were required the electorate voted the budget down twice in the same year, even after it was pared down.

Dr. Hurwitz had to serve in two capacities, school superintendent and the principal of one school. There was no trained librarian in the system. In one school there was a closet with books that served as a library. Some science text books dated back to the 1940's, before astronauts had been heard of. There was no guidance counsellor or speech therapist. A psyscologist was available one day a month. Special program aids were virtually non-existent. Pupils who were either gifted or below average could not get special instruction or materials, unless they qualified as handicapped, because Pine Hill could not afford options to meet special needs. Teacher recruitment was difficult. Five teachers operated on emergency certificates without a college degree. Two such teachers have taught in the system for more than 20 years. Not one teacher had an advanced degree.

Pupils from Pine Hill went into the Lower Camden County Regional district (7-12) which took pupils from 7 elementary school districts. Those from Pine Hill had difficulty competing with other pupils, even with those from districts that were not much wealther. A large percentage of Pine Hill pupils scored below national norms in tests for reading achievement and basic skills. Dr. Hurwitz concluded that the education in Pine Hill was inadequate due to insufficient funds.

Other evidence was offered to show inadequate education both on input and output terms. In Jersey City, tests showed that average results at the end of that were not much wealthier. A large percentage of Pine Hill pupils scored below the first grade were at the national norm but fall substantially below the national norm at the end of the seventh grade. A similar decline was shown by tests in Plainfield. This was interpreted as a failure of the system, since pupils able to learn at national norm levels do worse after being in the system for a number of years. There was evidence that a substantial number of pupils graduating from inadequate school systems are functional illiterates who cannot properly read and understand writing in normal use such as employment applications. A substantial portion of the students in the Camden City system cannot "read well, think well and work well," and some are illiterate, according to the *Camden Survey*, pp. II–5 and III–8,9.

In Camden, in 1968–69, 287 of 945 teachers had substandard teaching certificates (86 in secondary schools and 201 in elementary schools). *Camden Survey*, at P–4. There were only two Puerto Rican teachers in a system with 2,000 Puerto Rican students. Of 1,879 non-english speaking children only 240 received instruction in English. In Paterson there are 8 bi-lingual teachers for 4,000 Spanish speaking children, a ratio of 1 to 500.

Naturally, the focus here is upon glaring, exceptional deficiencies. But indications are that they may occur more often than we would like to believe. It is difficult to imagine that in the 1960's a history book used in one lower school did not mention World War II, because, when the book was published, that war had not yet taken place. But that was the testimony of a former teacher. (How much can new books cost?) Also, in one school, classroom books could not be taken home because, old and torn, there was only one set of books, and several classes had to share them on the same day. So if this opinion does not discuss theories of education, the importance of early schooling, or tenure and lock-step salary ranges and their effects upon teacher performance, it is for obvious reasons.

Not all shortcomings are the fault of the school system. The learning of a pupil from a deprived environment is impeded by many factors. For example, many pupils come to school hungry, or have uncorrected sight or hearing defects which would interfere with learning. Some students have migrated from even more inadequate school systems. But there is ample evidence in the record that these limitations can be offset significantly by improved educational offering. Better physical examinations and follow-up is a simple example of how a school can overcome a learning handicap. Testimony in support of the more general conclusion was given by a number of witnesses, including Professor James W. Guthrie of the University of California and Henry M. Levin, Associate Professor in Economics and in Education, Stanford University. See Guthrie, Kleindorfer, Levin & Stout, *Schools and Inequality, M.I.T. Press* (Cambridge: 1970), a study for the Urban Coalition, first published in 1969.

Professor Henry S. Dyer of the Educational Testing Service of Princeton, New Jersey, testified that pupil achievement is positively related to per pupil expenditure for instructional purposes. He estimated roughly that the relationship is on the order of .4 in correlation coefficient. This means that by his estimate per pupil expenditure is associated with about 16% of the variation in average pupil achievement. This is a positive but not a strong correlation. Others, including Guthrie and Levin, apparently see a higher degree of correlation. Professors Levin and Guthrie do not say that more money alone will make a difference. More money properly spent on proper programs can make a difference. Higher teacher salaries should enable a district to select teachers and supporting staff who are better fit for the needs of its pupils. More money can give districts options to attack their problems in ways not available to them now.

I am aware of the qualified doubts about the dollar-input-output relation raised by the *Coleman Report*, J. S. Coleman, *et al., Equality of Educational Opportunity*, U.S. Printing Office (Washington, D.C.: 1966). At p. 325, the *Coleman Report* concludes that family background and the social composition of the student body are the primary determinants of achievement in school.[14] The conclusions of the *Coleman Report* have been disputed, and the methods of analysis and measurement that underly the findings have been criticized. See Guthrie, et al., *Schools and Inequality, supra*, at pp. 92, 96–99. In fact, more recently Dr. Coleman has applauded the concept of equalizing educational offering by equalizing financing power and tax effort through methods proposed by Professor Coons and his associates. Coons, Clune and Sugarman, *Private Wealth and Public Education, infra*, Foreward, pp. vii to xvi. The *Coleman Report* itself states that "improving the school of a minority pupil may increase his achievement more than would improving the school of a white child increase his. Similarly, the average minority pupil's achievement may suffer more in a school of low quality than might the average of white pupils." At p. 22. So far as this court is concerned, the only evidence offered in the case does show correlation between educational expenditures and pupil achievement over and above the influence of family and other environmental factors.[15]

Chapter 4 of *Schools and Inequality, supra*, reviews 17 studies which attempt to determine the effects of schooling exclusive of a pupil's social environment. The authors note the difficulty of isolating environmental and congenital characteristics which affect a student's performance. These influences have a strong impact on the student even before he enters school for the first time. Nevertheless, a number of studies conclude that school services are significantly related to pupil achievement. One of the early studies performed by the Educational Testing Service of Princeton[16] shows a direct correlation between pupil performance and school services such as (1) the number of special staff (psychologists, reading specialists, counselors) in the school; (2) class size; (3) pupil-teacher ratio; and (4) instructional expenditures per pupil. Other studies show a positive correlation between pupil performance and teacher characteristics (such as verbal ability, experience, salary level, academic preparation, etc.) and access to teachers (size of class, length of school year, etc.). The school environment, such as the age, size and type of facilities available, also affects learning, but to a lesser degree. Because the foregoing components can be translated into dollar costs, Professor Guthrie and his associates concluded that expenditures per pupil and teacher salary levels are significantly correlated with pupil achievement. Better education does make a difference regardless of the child's social environment.

Dr. Dyer submitted charts (P-23 in evidence) which show a correlation between per pupil expenditures and various ganges of performance, such as SAT scores and truancy rates. Figure VI of this exhibit shows the results of a controlled experiment in Hartford, Connecticut ("Project Concern") in which 266 elementary school children selected at random were transferred from 5 depressed inner city schools to 35 elementary schools in affluent suburbs. A group of 305 similar students remained in the inner city schools to serve as a control group. Results were then tested by gain or loss in I.Q. scores. The experimental group transferred to the suburbs presented a median gain for pupils in 6 grades (1 thru 6) from the spring of 1967 to the spring of 1968 of 5.2 as compared with a median gain of 3.2 for the inner city group. Five of six grade groups transported to the suburbs made significantly greater gains in I.Q. than their counterparts in the city. (One group, grade 5, declined for unexplained reasons.) Grade 1 pupils in the suburbs gained 8.2 as compared with 3.0 for the city group.

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[14] *The Coleman Report*, at p. 325, concludes:

> That schools bring little influence to bear on a child's achievement that is independent of his background and general social context; and that * * * the inequalities imposed on children by their home, neighborhood, and peer environment are carried along to become the inequalities with which they confront adult life at the end of school. For equality of educational opportunity through the schools must imply a strong effect of schools that is independent of the child's immediate social environment, and that strong independent effect is not present in American schools.

[15] It may well be that part of the *Coleman Report* must be given effect and that to equalize educational opportunity significantly *de facto* segregation of minority pupils must be overcome in addition to equalizing funds and facilities.

[16] Mollenkopf, William G., and Melville, S. Donald "A Study of Secondary School Characteristics As Related to Test Scores," Research Bulletin 56-6 (Princeton: Educational Testing Service, 1956), mimeograph.

Other testimony supported similar conclusions. Some studies show that students in depressed areas whose schools have received substantial improvement under federal aid programs have achieved better than similar pupils in the same city attending schools which have not been changed. This result has been reported for Washington, D.C., as well as Jersey City.

That dollars can make a significant difference in pupil performance is the premise of the *Camden Survey, supra*, made by our State Department of Education. The *Mancuso Report, supra*, at p. 9, also concludes that while "many communities are unable to adequately educate their youngsters, it is equally clear that many others are eminently successful. * * * Although there are some excellent small districts in the state, almost all evidence points to a correlation between enrollment, wealth, quality education and efficiency."

Limitations in this type of case, dealing with the system as a whole rather than problems of a given district, make it impossible to treat aspects in the dollar-quality equation. To what extent can the consolidation of districts expand the range and quality of instructional opportunity without greatly changing costs? See *Mancuso Report, supra*. To what extent are high drop-out rates in central cities a reflection of unstimulating instruction, or other forces? Why do students from our deprived schools who *want* to go to college score appreciably lower in their SAT's than students from wealthy surburban schools? Should teachers get "combat pay" in some schools? Vocational training has not been explored in the case, but statistics in the *NJEA Bulletin*, p. 31, suggest that county vocational schools have not reached enough pupils who could profit by this type of training. There was testimony on other points that I cannot dwell upon. One example is the self-fulfilling negative attitude of middle-class teachers toward students of low socioeconomic status. Also discussed was the low self-esteem of children from poor neighborhoods who begin their first contacts with American government by entering ancient, dilapidated buildings. Perhaps they ask themselves, "Is this what my state thinks of me?" (In school they are given a primer which shows a white house surrounded by neat, green lawns. It reads, "Are you ready for school, Tom? Run to school, Tom. Run fast.") In any case even new schools won't take these children out of depressing neighborhoods. As was said recently about a black ghetto, the people who lived there "hated it so much that they had burned down a lot of it * * *. It was all they had, and they'd wrecked it." Kurt Vonnegut, Jr., *Slaughterhouse-Five or The Children's Crusade*, Delta Books (New York: 1969), at p. 51.

Questions are asked because we do not have all the answers. Some conclusions, however, can be drawn on the specific issues of this case. Assistant Commissioner Edward Kilpatrick testified that his office had participated in the *Camden Survey, supra*, and wrote the following at p. II–2:

> With this dependence upon local property taxes for the support of such services in New Jersey, it is inevitable that the children in the poorest communities do not have the same educational opportunities as those in the more affluent districts. The same report concluded that state aid under the foundation program is not sufficient to permit substantial improvement (p. III–3).

Clearly, a large number of New Jersey children are not getting an adequate education. This is caused in part by insufficient funds in many districts despite high taxes. On the other hand, many districts provide superior education with less tax effort. More money should make a significant difference in many districts. However, the problems in older cities with a large minority population are more complicated. It is too much to expect that our school system alone can solve all these problems. But much can be done, and doing more will cost more. Education is no exception to this fact of life.

IV. The Education Clause and the Bateman Act

> Between the idea
> And the reality
> Between the motion
> And the act
> Falls the Shadow
>
> —T. S. Eliot,
> "The Hollow Men."

A. THE BATEMAN ACT

The essential features of formula aid under the Bateman Act consist of "minimum support aid" and "incentive equalization aid." *N.J.S.A.* 18A:58–5. Both are determined on a pupil basis, and both are designed to vary according to the classification of a district. The Act provides for classification in 5 categories, from basic to comprehensive, depending on the quality and scope of the educational program offered, with higher levels of aid offered as an incentive to program improvement through higher expenditures. See *Bateman Report* at pp. 48, 49. Since the Bateman Act has not been fully funded, however, all districts are being treated as basic districts. The Legislature has continued this uniform classification for 1972–73, L. 1971, c. 335, *supra*, and none can qualify for higher State aid based on higher classifications. Moreover, the classification criteria have not yet been adopted. Criteria formulated by the Commissioner with the approval of the State Board have been rejected by the Permanent Commission on State Support. Other criteria have been proposed. When agreement is reached the criteria are to be submitted to the Legislature for enactment. *N.J.S.A.* 18A:58–3.

"Minimum support aid" and "school district guaranteed valuation" are both based upon the number of resident weighted pupils of the school district. *N.J.S.A.* 18A:58–2. Pupils are weighted to reflect varying costs of education according to grade levels. *N.J.S.A.* 18A:58–2; *Bateman Report* at p. 4. The principal categories of weights adopted by the Legislature are:

	Units
Kindergarten pupils	.75
Elementary pupils (grade 1 through grade 6)	1.0
Senior and 4-year high school pupils (equated to full time)	1.3

Additional weight is given for AFDC children (children in families residing in the school district who receive assistance under a program of aid to families with dependent children) between the ages of 5 to 17, inclusive, who reside in the district. Whether attending school or not, each such child counts as an additional .75 units in determining the number of weighted children for the school district. *N.J.S.A.* 18A:58–2; *Bateman Report* at p. 48. Weighting increases aid to districts whose weighted enrollment is greater than actual enrollment. A 10% increase in pupils due to weighting will increase minimum aid and guaranteed valuations by 10%.

"State aid" under the Bateman Act is defined as minimum support aid, incentive equalization aid, transportation reimbursement, atypical (handicapped) pupil reimbursement, county aid and vocational school aid. *N.J.S.A.* 18A:58–2.[17] All districts receive minimum support aid. This is $110 per pupil in a basic district. If the law is implemented by new legislation to establish classification criteria, minimum support aid will be increased in steps of $12.50 each for a limited district, an intermediate district, a pre-comprehensive district, and a comprehensive district, reaching the maximum of $160 per weighted pupil.

"Incentive equalization aid" is given to a district whose actual equalized valuation per pupil is less than the guaranteed valuation per weighted pupil based on the district's classification. In a basic district, total "guaranteed valuation" is a sum equal to $30,000 multiplied by the number of resident weighted pupils of the school district. The guaranteed valuations are to be increased in increments of $3,750 for each classification, reaching a maximum of $45,000 per weighted pupil in a comprehensive district.

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[17] The school building aid law was also amended by the *Bateman Act*. This aid, for debt service and capital outlay (as well as capital reserve fund), was amended to include the same weighting basis per pupil (including the AFDC factor), but not to exceed $45 per weighted pupil in resident enrollment, and subject to a local share equal to $0.75 per $100 of equalized valuations. This law is also subject to the 20% funding provision. *N.J.S.A.* 18A:58–18.1. Under the "emergency" building aid law of 1968 (L. 1968, c. 177, as amended by L. 1969, c. 136, L. 1970, c. 125 and L. 1971, c. 10) an additional sum not exceeding $25 per pupil is also available for debt service only for those districts found by the State Board of Education to be incapable of providing necessary school facilities (*N.J.S.A.* 18A:33–1) to satisfy the school laws. *N.J.S.A.* 18A:58–33.2 *et seq.* In 1972–73 building aid ($29.7 million) and emergency aid ($7.4 million) will approximate 27% of the annual debt service costs of local districts.

The formula for determining incentive equalization aid is set out in *N.J.S.A.* 18A:58–5. First, you compare the "guaranteed valuations" with the equalized valuations of the district. If the equalized valuations are more than the "guaranteed valuations," no incentive equalization aid is paid. If equalized valuations are less than the "guaranteed valuations," incentive equalization aid is paid in addition to minimum support aid, calculated as follows: The "net operating budget" is first determined. This is defined as the current expenses budget minus all estimated revenue, such as minimum support aid, transportation aid, federal aid, if any, etc. The "net operating budget" is then divided by total guaranteed valuations. The result is the district's school tax rate. That tax rate is then multiplied by the equalized valuations of the district to obtain the local tax requirement. The same tax rate is multiplied by the excess of guaranteed valuations over equalized valuations of the district to obtain the incentive equalization aid payable by the State.

Table V which follows depicts various tax rates that would obtain in a school district depending upon the current budget and the equalized valuations of the district. For purposes of illustration I have assumed districts with equalized valuations of $20,000, $30,000, $45,000 and $60,000, per pupil, and I have assumed that a district chooses to spend $1,000, $1,200 or $1,400 per pupil. The weighting factor of 1.10 was assumed as a general average for all non-AFDC districts. See statewide pupil distribution data in the Commissioner's *Nineteenth Annual Report* (1969–70), at p. IX. Also, to determine the net operating budget, a deduction of $50 per pupil was assumed arbitrarily to represent other district revenue, such as transportation aid and federal aid, other than formula aid. Tax rates were computed for each district as a basic district as well as a comprehensive (Comp.) district.

TABLE V.—TAX RATES UNDER THE BATEMAN ACT

District equalized valuation	Annual per pupil expenditure					
	$1,000 tax rate		$1,200 tax rate		$1,400 tax rate	
	Basic	Comp.	Basic	Comp.	Basic	Comp.
Per pupil:						
$20,000	2.51	1.56	3.12	1.97	3.72	2.37
$30,000	2.51	1.56	3.12	1.97	3.72	2.37
$45,000	1.84	1.56	2.29	1.97	2.73	2.37
$60,000	1.38	1.29	1.71	1.62	2.05	1.96
Adjusted for 1.434 weighting, including AFDC:[1]						
$20,000	1.84	1.12	2.31	1.43	2.77	1.74
$30,000	1.84	1.12	2.31	1.43	2.77	1.74

[1] The weighting factor of 1.434 was derived by averaging current Jersey City and Camden enrollments and AFDC population figures. Camden's enrollment of 20,436 is increased by units for AFDC children (which adds 10,588 units) and units for grade levels, to a total weighted enrollment of 32,572. Jersey City's enrollment is approximately 39,000; its AFDC factor adds 10,642 units; the total weighted enrollment is 52,328. The average weighted enrollment in Jersey City and Camden combined is 1.434 units per resident pupil.

Using a basic district as an example, with equalized valuations of $20,000 per pupil, calculations under the formula can be simplified as follows:

Select the current total expense per pupil ($1,200); subtract $121 (minimum aid per pupil of $110, raised 10% due to a 1.10 weighting factor) and also subtract $50 (representing other revenue, such as transportation aid). This leaves $1,029 to be raised by local taxes and state equalization aid. Divide $1,029 by $33,000 (the guaranteed valuation of $30,000 raised by 10% due to a 1.10 weighting factor) to get a tax rate of 3.12%. Thus, the amount to be raised by local taxes is 3.12% of $20,000 or $624. State equalization aid is $1,200 minus $121 (minimum support aid), minus $50 (other revenue), minus $624 (local revenue), or $405 per pupil. This is equal to 3.12% of the difference between equalized valuations per pupil ($20,000) and guaranteed valuations per weighted pupil ($33,000). Thus, this assumed basic district, spending $1200 per pupil, will raise $624 locally at a tax rate of $3.12 per $100, and will receive $121 in minimum support aid, plus $405 in state equalization aid, plus $50 in other revenue. Under the foundation plan

H.'s district would have received $215, *i.e.*, $100 minimum aid plus $115 in equalizing aid, (plus $27 if one of the 6 largest cities) per pupil. First year Bateman aid would be $215 plus 20% of $311, or $215 plus $62.20. $311 represents the difference between Bateman aid fully funded ($526) and the foundation plan formula aid of $215, based on my assumed model.

Under the Bateman formula fully funded, excluding an AFDC weighting factor but assuming an average weighting factor of $1.10, basic districts are in effect guaranteed equalized valuations per pupil of $33,000. Districts with $33,000 or less in equalized valuations per pupil will have the same tax rate. Every basic district with more than $33,000 in equalized valuations per pupil, and with the same budget, will have a lower tax rate. Thus, the Bateman Act continues to employ a wealth-based formula. It differs from the foundation plan in that Bateman includes a weighting factor and allows relatively poor districts to receive, in addition to minimum support aid, a higher share from the State in proportion to the total expenditures of the district. Under the foundation plan the State participated only to the extent of a given level of expenditures, namely, $425 per pupil (plus $27 for the 6 largest cities).

Districts with a high proportion of AFDC children will receive more minimum aid and a higher effective guaranteed valuation per pupil. Table V above shows the results of a weighting factor of 1.334 units in an assumed high AFDC district. The figures were computed, as indicated in n. 18 above, by using the average of current Camden and Jersey City enrollments and AFDC populations. The effect of this weighting factor is to increase minimum aid by 43.4% to $157.74 and to increase the guaranteed valuations per pupil by 43.4%, from $30,000 in a basic district to $43,020. Thus, a basic district with a high AFDC population spending $1,200 per pupil will have a tax rate of 2.31%, approximately equal to the tax rate of a basic non-AFDC district with equalized valuations per pupil of $45,000.

The AFDC weighting factor would have an appreciable effect under Bateman fully funded. *N.J. Model Cities Report*, *supra*, at p. 19, states that the total number of AFDC children in the state increased from 25,000 in 1965 to 72,000 in 1969–70. The Department of Education reports that the total number of AFDC children in the state is now 198,000. However, receiving increased formula aid or federal aid because of AFDC children should not be viewed as a windfall. It should cost much more to provide an adequate education in districts, such as Jersey City and Camden, where AFDC children between the ages of 5 and 17 are equal in number to roughly 30% to 60% of the total school enrollment. See n. 18 above. This increased cost was appreciated by the Bateman Committee. The *Bateman Report* states (p. 48):

> It is now recognized that children from lower socio-economic level homes require more educational attention if they are to progress normally through school. When the additional compensatory education is provided, it results in *substantially higher costs. The weighting* of the children from the lower income families *compensates in part* for the larger expenditure necessary to provide them with an adequate educational program so they may overcome their lack of educational background. (Emphasis added.)

Another desirable feature of the Bateman Act was the provision to allow an adjustment in minimum support aid and incentive equalization aid according to changes in the cost of education from year to year and changes in the statewide average of equalized valuations. *N.J.S.A.* 18A:58–6.3. Unfortunately, funding increments of "20%" per year will delay full implementation of the Act and may not include money to allow adjustments for inflation. If Bateman had been fully funded in the first year with all districts classified as basic, the total formula aid required would have been approximately $365 million, an increase of approximately $150 million over 1970–71. The legislature actually increased formula aid by approximately $28 million in the first year. But part of this increase was needed simply for additional pupils coming into the system and part was also used for the save harmless clause contained in *N.J.S.A.* 18A:58–7T.1.[19] If all districts were classified as comprehensive districts, the estimated annual cost under the Bateman Act would be $650 million, based on September 30, 1970 weighted enrollments. This is an increase over the foundation program of approximately $430 million.

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[19] The save harmless clause guarantees that "no school district shall be apportioned for minimum support aid, incentive equalization aid and county vocational school aid an amount less than the per pupil aid, excluding transportation aid and atypical aid, it received for the State fiscal year 1970–71."

There is no prefunding under the Bateman Act which would make it easier for a poor district to qualify as a comprehensive district. Many wealthy districts in the state would readily qualify as comprehensive districts under criteria suggested by the Bateman Committee (*Bateman Report*, at pp. 61-63) or that presently being considered. However, the Bateman Committee recognized that some districts "might not be able to attain a higher classification for reasons beyond their control." *Bateman Report*, at p. 41. The Bateman Committee proposed that the Commissioner should have the authority to change the classification of the district if, "in his judgment, the geography, sparsity of population, inadequacy of property valuations, difficulty of transportation or other factors make it impossible to qualify for a higher level of State aid." *Id.* This recommendation, however, was not adopted by the Legislature. The statute simply provides that criteria to be adopted for classifying districts shall take into consideration "the quality of the educational program of the districts." *N.J.S.A.* 18A:58-3. Thus, there is little likelihood of poor districts receiving state equalization aid as comprehensive districts. The present funding does not remotely approach the monies needed, and poor districts cannot do it on their own. *Camden Survey*, *supra*, at p. 11-1.

B. THE EDUCATION CLAUSE

Article VIII, sec. IV, par. 1 of the 1947 Constitution states:

> The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in the State between the ages of five and eighteen years.

This clause was first adopted in 1875 as an amendment to the 1844 Constitution. The history of education in New Jersey tells us that this provision was adopted in order to secure as a constitutional right the results of the first 100-year struggle in New Jersey for free and thorough education for all. See Roscoe L. West, *Elementary Education in New Jersey: A History*, D. Van Nostrand Co. Inc. (Princeton: 1964) at pp. 42-45; Robert D. Bole, "A History of State School Support in New Jersey," *The Bateman Report*, *supra*, at p. 11.

In his abbreviated history contained in the *Bateman Report*, (p. 12) Professor Bole says that the 1851 statute, which gave school districts unlimited taxing power, "set in motion a trend which New Jersey retains to the present day; *i.e.*, school financial support in New Jersey became predominantly a local responsibility." However, this history fails to mention the proportion of state aid in the critical period from 1871 to 1881, during which time the Education Clause was adopted.

In 1871 the Legislature enacted the Free School Law. L. 1871, c. 527. By this law, tuition fees which had been charged by some "public" schools in the state were abolished. The 1871 law levied a uniform tax on all real property in the state at 2 mills per dollar valuation ($0.20 per $100). If this money was not enough to maintain free schools in operation for at least 9 months each year, then local districts were required to raise the needed sum by a township tax. State school tax monies were distributed among school districts according to the number of pupils in each district. The law further provided that, except for $20 per year, State money paid to each school district must be used solely for teachers' salaries and fuel (section 10).

In discussing the 1871 law, State Superintendent Apgar said in his Annual Report of 1871 (at p. 12): "The principal support will come from the State, and if any sum is needed to be voted by the township, it will be small * * *."

The 1871 School Law raised significantly the proportion of school costs borne by the State. In 1870, for example, township and district school taxes ($1.45 million) and tuition ($72,000) constituted 90% of the total statewide expenditures ($1.66 million) and the State appropriation was only $100,000. *Annual School Report, 1870*, at p. 11. Thereafter, from 1872 through 1880, State funding averaged 75% of all school costs, exclusive of construction and repairs. Local revenues constituted 23% of current expenses and 40% of all expenditures inclusive of construction and repair of schools. In fact, during these years many townships and districts raised no school taxes at all. In 1872, for example, 188 of 230 townships and 887 of 1378 districts raised no school tax. *N.J. School Report, 1872*, at p. 8.

The State continued for many years to pay a large portion of all school costs, although in 1881 it enacted a law ordering 90% of State school taxes returned to the county of origin, leving only 10% to be distributed by the State Board equitably. L. 1881, c. 106. However, even under the 1881 law, monies returned to the counties were apportioned to all school districts in accordance with pupil census, so that equalization was achieved at least among pupils of each county. As late as 1910, for example, the State share of current expenses was approximately 67% and was almost equal to the total cost of teachers' salaries. *N.J. School Report, 1910*, at p. xv, xvi. This is not to suggest that the Education Clause adopted by the 1875 Amendment requires funding of education costs out of general State revenues. This was the ideal sought by the friends of education, as the history demonstrates. Certainly the re-enactment of the Education Clause as part of the 1947 Constitution was not made with the consensus that public education had to be fully funded by the State out of general revenues. A proposal to include such language in the Education Clause was not adopted. "Recommendations of the New Jersey State Federation of Labor," V *Proceedings of Constitutional Convention of 1947, State of New York*, Appendix, at p. 893.

The Education Clause was intended to do what it says, that is, to make it a State legislative obligation to provide a thorough education for all pupils wherever located. *Landis v. School District No. 44, Camden County*, 57 *N.J.L.* 509 (Sup. Ct. 1895); *Society for Establishing Useful Manufacturers v. Paterson*, 89 *N.J.L.* 208 (E. & A. 1916), reversing 88 *N.J.L.* 123 (Sup. Ct. 1915). This does not preclude local administration and responsibility. *Riccio v. Hoboken*, 69 *N.J.L.* 649 (E. & A. 1903), reversing 69 *N.J.L.* 104 (Sup. Ct. 1903), held that school districts may be established for the management and support of schools. See also *West Morris Regional Board of Education v. Sills*, 58 *N.J.* 464, 477 (1971). However, the *Riccio* case held that certain classifications in the School Law of 1902 were unconstitutional because they treated some school districts differently according to unimportant characteristics not germane to the purposes of the law. 69 *N.J.L.* at p. 661.

Although districts can be created and classified for appropriate legislative purposes, it was held in the *Society for Useful Manufacturers* case, *supra*, that the State school tax remained a State tax even though assessed and levied locally upon local property, with revenues returned by the State to local districts. The court held that prior to the 1875 Amendment public schools were a matter of *local* rather than State concern, but that the Amendment made the support of public schools a *State* concern. 89 *N.J.L.* at p. 211.

In *Landis v. School District No. 44, Camden County*, *supra*, the court dealt with the constitutionality of that provision of the State School Law which permits local districts to raise sums in addition to the State levy. The court held that the Constitution does not require "the same means of instruction for every child in the state." 57 *N.J.L.* at p. 512. The 1875 Amendment was said "to impose on the legislature a duty of providing for a thorough and efficient system of free schools, capable of affording to every child such instruction as is necessary to fit it for the ordinary duties of citizenship; and such provision our school laws would make, if properly executed, with the view of securing the common rights of all before tendering peculiar advantages to any." The court further held that the Legislature also had power to provide "beyond this constitutional obligation * * * in its discretion, for the further instruction of youth in such branches of learning as, though not essential, are yet conducive to the public service. On this power, I think, rest the laws under which special opportunities for education at public expense are enjoyed."

The word "thorough" in the Education Clause connotes in common meaning the concept of completeness and attention to detail. It means more than simply adequate or minimal. Not adopted was a lower standard of education which had been proposed:

> Public schools shall be established and maintained for the gratuitous instruction of all persons in the State between the ages of five and eighteen years, such schools to give rudimentary instruction, and not to fit or prepare scholars for college, or to be controlled by or under the influence of any creed, religious society or denomination whatever. *New York Times*, November 24, 1873, p. 2:4.

It is clear from findings made earlier that a "thorough" education is not being afforded to all pupils in New Jersey. However, the Bateman Act would probably afford sufficient financing for a thorough education if that Act were fully funded. In an area as difficult and costly as education, the judiciary would not invalidate a statute simply because all the funds necessary to fulfill its objectives were not made available in the first year or two of operation. As the Supreme Court said in the *West Morris Regional Board* case *supra*, 58 *N.J.* at p. 481, where public monies are involved, "modest objectives must be allowed even though more pervasive ones would be welcome." A statute may not be invalidated "merely because it would also be reasonable to do more." This is not to say that a statute will be left intact without a reasonable expectation that the fundamental constitutional demand for a thorough education will be achieved in the near future. A court would consider at least taking such steps as are necessary to allocate available resources in order to more closely approximate the constitutional demand. As a first step, certainly, the provision affording minimum support aid to each district regardless of wealth and the save harmless provision of the Bateman Act should yield to the State constitutional purpose.

The Bateman Committee sought to justify minimum aid on the ground that it would provide even wealthy districts with the incentive to improve educational programs, and to maintain them at high levels. *Bateman Report* at pp. 48–49. The justification offered at trial was that the State "should do something for every district." However, as long as some districts are receiving inadequate education, below that constitutionally required, the reasons offered cannot constitute a valid legislative purpose. As long as some school districts are underfinanced, I can see no legitimate legislative purpose in giving rich districts "State aid." I am satisfied by the evidence that a strong reason for minimum aid and save-harmless aid is political, that is, a "give up" to pass the legislation.

I conclude, therefore, that the Bateman Act as presently funded does not meet the State constitutional standard of a thorough education for all. Fully funded, however, with funds to offset inflationary trends, the Bateman Act would probably reach this goal, even in cities with a high AFDC composition. It might also reach the constitutional goal in poorer non-AFDC districts, although they will remain at a disadvantage in competing with wealthy suburbs and AFDC cities in dollars available for good teachers. Accordingly, the Bateman Act will not be invalidated on the ground that at present funding levels it does not provide a thorough education for all. However, the minimum support aid and save harmless provisions cannot be reconciled at this time with the command of the Education Clause.

V. Equal Protection of the Laws

"* * * all men are created equal * * *."

—*Declaration of Independence*, 1776.

"Each child in the State has the right to an educational program geared to the highest level he is capable of achieving, permitting him to realize his highest potential as a productive member of society."

—*The Bateman Report*, at p. 38.

Article I, par. 1 of the New Jersey Constitution of 1947 provides as follows:

> All persons are by nature free and independent, and have certain natural and unalienable rights, among which are those of enjoying and defending life and liberty, of acquiring, possessing, and protecting property, and of pursuing and obtaining safety and happiness.

Our Supreme court has held that this clause contains an implied guarantee of equality comparable to the Equal Protection Clause of the Fourteenth Amendment. *Washington National Ins. Co. v. Board of Review, N.J. Unemployment Compensation Commission*, 1 *N.J.* 545, 551 (1949); see *Bailey v. Engelman*, 56 *N.J.* 54, 55 (1970). Where educational objectives are left primarily to the states, it may be preferable for New Jersey to develop its own rules of equality though they may be more stringent than federal standards. See *Booker v. Board of Education of Plainfield*, 45 *N.J.* 161 (1965), dealing with a mandate of the State Commissioner of Education to alleviate *de facto* segregation in public schools; see also *Jenkins v. Township of Morris School District*, 58 *N.J.* 483 (1971).

Inequalities and inadequacies exist under our financing system. Inequalities are inherent in a system where the capacity to raise taxes for school purposes differs according to the wealth of districts.

It is argued that the system is justified by the State's desire to afford local control over education. To what extent local control is real or mythical has been debated in this case. The Bateman Act provides that the Commissioner "shall review each item of appropriation within the budget" of a district whose local tax requirement is less than State formula aid. *N.J.S.A.* 18A:58–5. There is evidence to indicate that as much as 90% of some current budgets are composed of costs that are more or less fixed or recurring. These include teachers' salaries (which are the largest portion of the budget), pension costs, insurance and debt service costs. See *N.J.S.A.* 18A:29–4.1 which requires implementation of teacher salary policies and schedules. Most authorities agree that local control, in the sense of hiring teachers, establishing programs, and allocating available resources, is desirable. Beyond common essentials, educational goals should be adjusted to community needs. Also, raising local revenues for school costs may tend toward more efficient use of funds. However, while these purposes may be pursued by appropriate means, local control and responsibility cannot be used to justify a system that breeds substantial disparities in the quality of education. The shortage of funds in some districts actually minimizes local discretion in programming and in the ability to compete for the services of good teachers. School boards in poor districts cannot opt to institute special services when their budgets do not include adequate funds even for essentials. In this sense local control is illusory. It is control for the wealthy, not for the poor.

In the theory the Bateman Act goes far toward equalizing the revenue-raising power of local districts. Even for those districts with a large number of AFDC children, however, the Bateman Act equalizes only to a given level. Poor, non-AFDC basic districts in rural areas and suburbs will not be raised even to the state average of equalized valuations. One reason for this is that the $30,000 guaranteed valuation level chosen by the Bateman Committee was based upon the 1965-66 per pupil state median valuation, which was then $32,057. *Bateman Report*, at p. 50. The Bateman Act was not adopted until 1970. It became effective July 1971. By this time the statewide average equalized valuation was more than $41,000 per pupil. See Appendix A. Table I, above, shows that there are 208 districts in the state with a total enrollment of 620,000 (approximately 40% of total state enrollment) whose valuations are less than $35,000 per pupil. Excluding the AFDC weighting factor, the remaining districts in the state, with an enrollment of 865,000, can raise school funds as basic districts at lower tax rates than the first group, even after the equalization formula is given effect. Although the AFDC factor will tend to assist those districts with high AFDC populations, the added costs in educating pupils of those districts should offset the gain in State aid. Moreover, there is no assurance that local officials, particularly in type I districts, will use the added aid for improved education by increasing budgets appreciably; they may simply use the aid to help keep tax rates down. Camden, for example, receives state aid of $345 per pupil, plus substantial federal aid (n. 13 *supra*) and still has a current expense budget of only $843 per pupil. The Bateman Act itself reduces incentive equalization aid in proportion to the amount of federal aid received by a district. See definition of "net operating budget." *N.J.S.A.* 18A:58-2.

The large group of pupils in small, poor districts, in rural areas and elsewhere, with little AFDC population, are likely to derive the least benefit from the Bateman formula, as Table V shows. These "poor" districts with valuations of $30,000 or less per pupil must tax at 3.12% in order to spend $1,200 per pupil as a basic district, under Bateman fully funded. Spending $1,200 per pupil, a basic district with equalized valuation per pupil of $30,000 must raise $936 by local taxes in order to receive $121 in minimum aid (weighted) and $93 in state equalization aid. By comparison, districts with $60,000 in equalized valuations, spending the same amount, have a tax rate of 1.71% and will still receive $121 in minimum support aid.

Even if districts were better equalized by guaranteed valuations, the guaranteed valuations, the guarantees do not take into consideration "municipal and county overload." This was a problem which the Bateman Committee recommended to the Permanent Commission for further study. *Bateman Report*, p. 9. Poor districts have other competing needs for local revenue. The evidence shows that poorer districts spend a smaller proportion of their total revenues for school purposes. The demand for municipal services tends to diminish further the school revenue-raising power of poor districts. Another general disadvantage of poor districts is the fact that property taxes are regressive; they impose burdens in inverse proportion to ability to pay. This is because poor people spend a larger proportion of their income for housing. See *N.J. Model Cities Report*, at pp. 38-40; *Guthrie, et al., Schools and Inequality, supra*, at pp. 186-188.

This is not to suggest that the same amount of money must be spent on each pupil in the state. The differing needs of pupils would suggest the contrary. In fact, the evidence indicates that pupils of low socio-economic status need compensatory education to offset the natural disadvantages of their environment. This is consistent with some comments in the *West Morris Regional*

Board case, *supra*, 58 *N.J.* at 477, 478. While their opinion states in dictum that the Equal Protection Clause of the Fourteenth Amendment does not require identical expenditures for all students, and states that benefits "may indeed depend upon the district of a student's residence" (at p. 478), the court clearly stated that it did not "anticipate the question whether the State statutory scheme may, because of local failures, become unequal to the constitutional promise and command." *Ibid*, n. 7.

Providing free education for all is a State function. It must be accorded to all on equal terms. *Brown* v. *Board of Education*, 347 *U.S.* 483, 493 (1954). Public education cannot be financed by a method that makes a pupil's education dependent upon the wealth of his family and neighbors as distinguished from the wealth of all taxpayers of the same class throughout the State. *Serrano* case, *supra*; *Van Dusartz* case, *supra*; *Rodriguez* case, *supra*, n. 1.

Arthur Wise, Associate Dean, The Graduate School of Education, University of Chicago, first advanced this thesis in "Is Denial of Equal Educational Opportunity Constitutional?" XIII *Administrator's Notebook*, No. 6 (University of Chicago, Feb. 1965). He elaborated upon it in *Rich Schools, Poor Schools*, University of Chicago Press (Chicago: 1968). It was his contention that the present system of funding education of all states except Hawaii (which is funded entirely out of general state revenues) denies the equal protection of the laws. A similar thesis has been advanced by Coons, Clune and Sugarman, in "Educational Opportunity: A Workable Constitutional Test for State Financial Structures," 57 *Cal. L. Rev.* 305 (1969) and in *Private Wealth and Public Education*, The Belknap Press of Harvard University Press (Cambridge: 1970). It is this thesis that has been adopted by the Supreme Court of California in *Serrano, supra*, and by the federal courts in *Van Dusartz, supra*, and *Rodriguez, supra*.

The New Jersey system of financing public education denies equal protection rights guaranteed by the New Jersey and Federal Constitutions. In support of this conclusion I adopt the thesis of the foregoing authorities. Education is one of the most important functions of state governments, and educational opportunities, where the state has undertaken to provide them, is a right that must be made available to all on equal terms (*Brown v. Board of Education, supra*). Education is a fundamental interest, vital to the future of every citizen (see *Brown, supra*; *Booker, supra*, where our Supreme Court said "it is during their formative school years that firm foundations may be laid for good citizenship and broad participation in the mainstream of affairs." 45 *N.J.* at 170–171). Lines drawn on the basis of wealth or property, like those of race, are traditionally disfavored. *Harper v. Virginia Bd. of Election*, 383 *U.S.* 663, 668 (1966); *Griffin v. Illinois*, 351 *U.S.* 12 (1956). Thus, where fundamental rights are asserted under the equal protection clause, classifications will be closely scrutinized. *Reynolds v. Sims*, 377 *U.S.* 533, 561–562 (1964); *Harper*, case, *supra*, at p. 670.[9]

No compelling State interest justifies the State's present financing system. It is doubtful that this system even meets the less stringent "rational basis" test normally applied to the regulation of state fiscal or economic matters. See *McGowan v. Maryland*, 366 *U.S.* 420 (1961); *Williamson v. Lee Optical of Oklahoma*, 348 *U.S.* 483 (1955). While local control is desirable, discriminations should not be tolerated if they are not necessary for achieving the stated purpose. See *Riccio* case, *supra*. A finance system can be devised for New Jersey which affords equal protection to all pupils without precluding local control over public education. The invidious disparities cannot be justified by any overriding state purpose. Distribution of school resources according to the chance location of pupils cannot be tolerated under the State or Federal Constitutions.

The Attorney General contends that two earlier federal cases foreclose consideration of the Fourteenth Amendment equal protection claim. *McInnis v. Shapiro*, 293 *F. Supp.* 327 (N.D. Ill. 1968), aff'd mem. *sub nom. McInnis v. Ogilvie*, 394 *U.S.* 322 (1969); *Burruss v. Wilkerson*, 310 *F. Supp.* 572 (W.D.Va. 1969), aff'd mem. 397 *U.S.* 44 (1970). This contention was rejected by the courts in *Serrano*, *Van Dusartz* and *Rodriguez, supra* on the grounds that *McInnis* and *Burruss* were limited to the assertion of a "needs" test for the distribution of school funds. (The "needs" test was rejected by our own Supreme Court in relation to the distribution of AFDC funds. *Bailey v. Engleman, supra*, n. 5.) The

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[9] See also in general, Note, "Development in the Law—Equal Protection", 82 *Harv. L. Rev.* 1065 (1969), and Michelman, "On Protecting the Poor Through the Fourteenth Amendment," 83 *Harv. L. Rev.* 7 (1969).

Complaint in *McInnis* (see Coons, et al., *Private Wealth and Public Education*, *supra*, at p. 306) and in *Burruss*, appear broad enough to include the claims made here and in *Serrano*. Nevertheless, the conclusion that the issue is still open despite the summary affirmances in *McInnis* and *Burrus* is confirmed by the more recent action of the United States Supreme Court in *Askew v. Hargrave*, 401 *U.S.* 476 1971).

The equal protection concepts applied here derive from cases that seem to lend themselves more readily to judicial control. See *Reynolds v. Sims*, *supra*, asserting the standard of one-man, one-vote; *Griffin v. Illinois*, *supra*, holding that an indigent defendant is entitled to a free transcript on appeal; the of the right to vote. But one facet of the case at hand does invite a simple standard. Since the State Constitution requires the State Legislature to provide a thorough education for all pupils age 5 to 18, a tax levied to raise revenues for that specific State purpose should be applied uniformly to all members of the same class of taxpayers. Under the present system taxpayers in different districts pay different tax rates for school purposes. To the extent that these revenues fulfill the State's constitutional obligation to provide a "thorough" education, the purpose remains a common State purpose, not a local purpose. (It is noted that there is no comparable provision in our Constitution dealing with municipal services such as police, fire, sanitation, etc.) Accordingly, the "equality" provisions of the State and Federal Constitutions preclude taxing the same class of property at different rates. See *Township of Hillsborough v. Cromwell*, 326 *U.S.* 620, 623 (1945); *Baldwin Construction Co. v. Essex County Board of Taxation*, 16 *N.J.* 329 (1954); *In re Appeals of Kents* case, *supra*, 34 *N.J.* at pp. 28, 29; *City of Passaic v. Passaic County Board of Taxation*, 18 *N.J.* 371, 381 (1955).

Uniformity in taxation is required by *N.J. Const.*, Art. VIII, sec. I, par. 1(a), which is as follows:

> Property shall be assessed for taxation under general laws and by uniform rules. All real property assessed and taxed locally or by the State for allotment and payment to taxing districts shall be assessed according to the same standard of value, except as otherwise permitted herein, and such real property shall be taxed at the general tax rate of the taxing district in which the property is situated, for the use of such taxing district.

No opinion is expressed here on the relationship of the second sentence of paragraph (a), above, to a statewide tax on real property at a uniform rate for distribution to school districts. This was not an issue in the case. It is clear that some kind of uniform, statewide tax can be adopted by the State to finance "thorough" education without relying on a real property tax. In 1935 the Legislature adopted a sales tax to support school finance reform, but it was repealed within 4 months. See *Bateman Report* at p. 18.

One hundred years ago, after a long struggle, the State adopted the 1871 Free School Law and made the right to a thorough public education a Constitutional right. The proposition that the education of a child should be substantially supported by all the citizens of the State prevailed for a time over dissenting voices. The arguments in opposition were answered by State Superintendent Ellis Apgar. He reasoned that the "general diffusion of intelligence is for the general good" of the State and that equity demands that the expense be paid "by a uniform rate of taxation" on the people as a whole. To those who argued that schools should be supported by a county tax only he replied: the county is simply a subdivision of part of the whole political organization which is the State, and to support schools with county taxes would discriminate in favor of wealthy counties over those that are poor. He noted that some people favored a township tax to support only the schools of their own township and that, even if this were adopted, it would fail to please wealthy taxpayers from whom the objections come. He concluded by saying that if the question "of giving and receiving" is discussed further between two neighbors, one "blessed with children only, and the other with property only" the logic of the argument would compel but one conclusion: "our Public School system must be abolished and every man must educate his own children." *New Jersey School Report, 1878*, at pp. 23, 24.

There is no compelling justification for making a taxpayer in one district pay a tax at a higher rate than a taxpayer in another district, so long as the revenue serves the common State educational purpose.[20] Moreover, education is too important to the State as well as the children of the State to be largely controlled by the haphazard distribution of real property wealth. The State and its courts have a special solicitude for the welfare of children since they have little control over their own destinies. Children may become wards of the court simply to insure that they be provided with "proper protection, maintenance and education." *N.J.S.A.* 9:2-9; *N.J.S.* 2A:4-2; see *State* v. *Perricone*, 37 *N.J.* 463, 476 (1962). Education is not left to the discretion of a parent. By statute every parent is compelled to have his child between ages 6 and 16 attend schools. The public school that he attends is entirely the creation of State laws. As was said in *Van Dusartz, supra*, "What is important to note is that the objection to classification by wealth is in this case aggravated by the fact that he variations in wealth are State created. This is not the simple instance in which a poor man is injured by his lack of funds. Here the poverty is that of a governmental unit that the State itself has defined and commissioned."

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[20] If monies are supplied to local districts from general State revenues sufficient for a "thorough" education, some districts may still desire to add to that sum by local property taxes. This may reintroduce inequities of various sorts; however, the issue was not argued, and my decision is not intended to reflect upon it. See *Landis* case, *supra*.

Education serves too important a function to leave it also to the mood—in some cases the low aspirations—of the taxpayers of a given district, even those whose children attend schools in the district. The uncertainty of raising sufficient local funds for school purposes is the very hazard that the uniform State tax was designed to meet under the Free School Law of 1871. As State Superintendent Apgar stated then, "By this change our school system is, for the first time in its history, placed upon a sure and substantial basis. Our schools will no longer depend for their support upon a fund which a mere majority at a town meeting may any year withhold." The Education Clause and the equality provisions of the New Jersey Constitution require a more certain and uniform basis than our statutory scheme now provides for the thorough education of each child.

For the foregoing reasons I hold that the statutes of New Jersey do not provide the equality of educational opportunity which is demanded by our State Constitution. In my opinion the statutory scheme also violates the Equal Protection Clause of the Fourteenth Amendment.

VI. CONCLUSION

The present system of financing public elementary and secondary schools in New Jersey violates the requirements for equality contained in the State and Federal Constitutions. The system discriminates against pupils in districts with low real property wealth, and it discriminates against taxpayers by imposing unequal burdens for a common State purpose. The State must finance a "thorough and efficient" system of education out of State revenues raised by levies imposed uniformly on taxpayers of the same class. The present equalizing factors in the law are not sufficient to overcome inequities in the distribution of school funds and tax burdens.

The present financing system is declared unconstitutional; but this declaration shall operate prospectively only and shall not prevent the continued operation of the school system and existing tax laws and all actions taken thereunder. This declaration shall not invalidate past or future obligations (such as school bonds, anticipation notes, etc.) incurred under the provisions of existing school laws and tax laws. Said laws shall continue in effect unless and until specific operations under them are enjoined by the court. See *Switz* v. *Middletown Township, supra*, 23 *N.J.* at pp. 598-599; *Village of Ridgefield Park* v. *Bergen County Board of Taxation*, 33 *N.J.* 262, 266 (1960). To allow time for legislative action, such operations shall not be enjoined prior to January 1, 1974, except that if a non-discriminatory system of taxation is not enacted by January 1, 1973, then from and after that date no State monies shall be distributed to any school districts pursuant to the "minimum support aid" provisions and the save harmless provisions of the Bateman Act (L. 1970, c. 234) which have been identified previously in this opinion. All funds that are thereby set free shall be distributed by appropriate State officials in a manner that will effectuate as far as possible the principles expressed herein; more specifically, these funds shall be applied to raise guaranteed valuations to the highest level that a proportionate distribution of funds will permit, utilizing the remaining provisions of the Bateman Act.

The court will retain jurisdiction for such modification or further order as may be required. See *Switz* v. *Middletown Township, supra*, 23 *N.J.* at p. 598-599, 614.

Nothing herein shall be construed as requiring the Legislature to adopt a specific system of financing or taxation. The Legislature may approach the goal required by the Education Clause by any methods reasonably calculated to accomplish that purpose consistent with the equal protection requirements of law.

While equalizing tax burdens may be readily accomplished by known means, it may be more difficult to assure that additional school funds will actually result in improved education. No purpose would be served by simply bidding up the cost of the same services without the expectation of improvement. Education must be raised to a "thorough" level in all districts where deficiencies exist. The Legislature, the State Board, the Bateman Committee, educators in this State have defined this goal in commendable terms. See Part I, above. The State Board and the Commissioner have ample statutory power to measure progress and to enforce this mandate by rule and regulation. Equalizing the tax burden in support of these purposes is a more certain goal. The New Jersey Constitution demands that both goals be attained.

An appropriate order for judgment shall be submitted. It shall include specific provisions to assure the validity and enforceability of past and future acts and obligations incurred under existing laws as long as they remain operative.

APPENDIX A

[See text for explanation of terms]

	Equalized valuation per pupil, 1971 (1)	Current expense per pupil, 1971-72 (2)	Pupils per full time teachers, 1969-70 (3)	Teacher salaries per pupil, 1969-70 (4)	Professional staff per 1,000 pupils, 1969-70 (5)	Grade span (6)	Enrollment Sept. 30, 1971 (7)	Equalized school tax rate, 1971 (8)	Equalized total tax rate, 1971-72 (9)	State aid per pupil, 1971-72 (10)	State aid change per pupil, 1971-72 over 1970-71 (11)
State average	$41,026	$1,009.62	19.8	$470.56	52.5	NA [1]	[2] 1,498,174	$2.12	$3.66	$105.02	$15.55
Atlantic County:											
Margate	78,108	975.00	22.0	424.65	50.2	K-8	1,652	1.12	2.80	104.53	4.53
Atlantic City	42,025	780.00	22.6	403.70	45.6	K-8-4	7,853	1.55	5.21	120.32	20.32
Mainland Reg	29,432	1,078.00	19.6	509.50	47.1	9-12	1,535	(.86)	([1])	204.95	15.51
Absecon	26,888	729.00	22.7	343.62	45.9	K-8	1,336	1.97	3.90	189.40	0
Gr. Egg Harbor Reg.	26,367	1,337.00	15.3	622.11	58.6	9-12	2,488	(1.17)	NA	253.53	75.37
Pleasantville	17,063	706.00	22.5	375.89	44.8	K-8-4	3,316	2.13	5.57	296.62	40.18
County average	36,103	872.08	21.7	403.22	47.5	([1])	[2] 35,977	1.83	4.10	177.72	18.21
Bergen County:											
Teterboro	62,598,621	1,300.00	([1])	([1])	([1])	([1])	1	0	.56	100.00	0
Rockleigh	919,317	1,737.00	([1])	([1])	([1])	([1])	26	.10	.63	102.19	2.19
Englewood Cliffs	145,132	1,663.00	16.2	695.30	69.6	K-3	1,294	1.20	1.84	103.61	3.61
Carlstadt-E. Rutherford Reg	119,931	1,388.00	([1])	([1])	([1])	9-12	781	(.37)	([1])	109.17	([1])
Edgewater	110,555	1,209.00	18.8	480.51	56.2	K-6-3	770	.73	1.59	106.55	6.55
Ridgefield	85,206	1,338.00	16.5	594.79	62.2	K-8-4	1,864	.57	1.01	104.61	4.61
Engelwood	79,643	1,743.00	14.8	708.86	75.4	K-8-4	3,974	2.07	3.99	105.36	5.36
Hackensack	79,626	1,464.00	15.9	669.83	64.6	K-8-4	4,912	1.64	3.06	105.94	5.94
Tenafly	76,665	1,471.00	17.1	689.11	60.3	K-8-4	3,228	2.11	3.41	104.62	4.62
Paramus	72,347	1,339.00	18.1	589.66	57.7	K-6-3-3	7,078	1.90	2.79	104.74	4.74
River Edge-Oradell Reg	59,652	1,369.00	17.2	645.92	55.3	7-9; 10-12	2,404	(1.34)	([1])	108.08	8.08
Ridgewood	51,063	1,403.00	18.1	658.15	57.3	K-6-3-3	7,050	2.81	4.17	104.69	4.69
Westwood Reg	45,347	1,081.00	20.3	493.66	52.2	K-6-3-3	4,934	2.25	3.36	114.6[illegible]	0
Dumont	39,289	1,020.00	18.9	514.96	53.7	K-3-4	4,404	2.55	3.83	104.29	4.29
Oakland	35,396	1,075.00	21.2	415.57	51.6	K-8	2,859	3.08	4.23	138.90	0
Waldwick	33,946	1,073.00	20.7	482.59	50.9	K-6-6	3,030	2.94	4.93	152.15	0
County average	60,233	1,227.33	19.6	541.17	56.2	([1])	[2] 173,742	1.89	3.03	106.88	4.20

	Equalized valuation per pupil, 1971 (1)	Current expense per pupil, 1971-72 (2)	Pupils per full-time teachers, 1969-70 (3)	Teacher salaries per pupil, 1969-70 (4)	Professional staff per 1,000 pupils, 1969-70 (5)	Grade span (6)	Enrollment, Sept. 30, 1971 (7)	Equalized school tax rate, 1971 (8)	Equalized total tax rate, 1971-72 (9)	State aid per pupil, 1971-72 (10)	State aid change per pupil, 1971-72 over 1970-71 (11)
Burlington County:											
New Hanover	94,849	1,057.00	15.6	415.03	61.9	1-8	147	.82	1.69	104.20	4.20
Moorestown	44,406	1,210.00	19.5	517.40	53.7	K-8-4	3,844	2.51	3.67	104.93	4.93
Bordentown Reg	35,811	1,270.00	15.7	576.62	59.2	9-12	797	(.96)	(1)	172.59	28.20
Cinnaminson	28,480	882.00	19.1	451.18	54.0	K-8-4	4,907	2.63	3.65	174.99	7.33
Mount Holly	19,651	897.00	21.9	419.63	50.6	K-8	2,196	3.05	4.73	282.32	26.55
No. Burlington Co. Reg	14,959	1,015.00	20.1	407.23	47.7	7-12	2,342	(1.00)	(1)	318.52	31.46
Pemberton Twp	9,484	785.00	24.9	338.75	39.0	1-8-4	7,523	1.30	2.81	357.66	43.48
County average	25,077	919.53	20.8	421.43	49.8	(1)	[2] 79,577	2.36	3.46	235.39	14.69
Camden County:											
Haddonfield	49,114	1,065.00	18.9	473.46	55.0	K-8-4	2,681	2.33	4.05	104.72	4.72
Cherry Hill Twp	38,358	1,107.00	19.2	453.17	54.3	K-8-4	17,780	2.76	4.20	123.75	0
Eastern Camden Reg	29,647	1,072.00	18.7	420.76	50.2	9-12	1,022	(.79)	(1)	255.85	27.19
Black Horse Pike Reg	24,045	1,037.00	17.9	451.19	50.8	9-12	3,345	(1.06)	(1)	300.45	66.63
Camden (city)	19,187	843.00	22.2	368.86	46.6	K-6-3; 9-12	20,436	2.57	5.75	345.74	80.42
Pine Hill	13,354	691.00	27.0	326.02	44.3	K-6	874	3.52	5.75	342.60	32.60
Audubon Park	4,596	771.00	27.2	293.96	44.3	K-8	322	5.59	9.79	428.78	51.27
County average	29,653	912.22	21.1	405.43	49.3	(1)	[2] 97,722	2.47	4.29	214.82	19.62
Cape May County:											
Stone Harbor	515,261	979.00	14.5	482.14	65.6	1-8	155	.17	1.31	104.66	4.66
Ocean City	140,751	956.00	19.5	493.45	50.5	K-6-6	1,926	.72	2.62	105.60	5.60
Cape May (city)	66,907	966.00	21.3	378.38	59.3	K-6	312	1.71	4.30	102.67	2.67
Lower Cape May Reg	51,242	1,224.00	19.7	439.21	46.8	7-12	1,140	(1.08)	(1)	112.75	2.63
Middle Twp	29,779	926.00	22.5	378.97	44.1	K-8-4	2,025	2.66	3.55	169.91	0
Woodbine	13,282	1,071.00	20.0	368.93	51.5	K-8	445	3.75	5.15	378.38	63.11
County average	89,330	972.06	20.4	423.31	49.7	(1)	[2] 11,709	.93	2.62	138.51	8.45
Cumberland County:											
Greenwich Twp	33,431	1,055.00	18.3	419.54	60.6	1-8	237	2.59	3.84	199.74	0
Vineland	26,185	795.00	24.6	355.21	42.2	K-6-3-3	10,910	2.44	4.25	204.20	26.12
Bridgeton	18,735	803.00	21.5	390.87	46.9	K-6-3-3	4,563	2.62	4.96	311.84	51.60
Commercial Twp	12,765	787.00	22.5	336.61	44.7	K-8	1,098	3.44	4.96	357.23	46.26
County average	21,813	786.27	23.0	367.92	44.7	(1)	[2] 29,331	2.47	4.29	251.93	27.62

Essex County:											
Millburn	99,653	1,454.00	16.9	685.03	61.0	K-6-3-3	4,258	1.43	3.43	104.68	4.68
W. Essex Reg	62,129	1,479.00	16.0	688.90	58.7	7-12	2,251	(1.05)	(1)	107.54	7.54
So. Orange-Maplewood	55,736	1,367.00	19.0	622.23	55.3	K-6-3-3	7,881	2.37	5.23	104.85	4.85
Montclair	51,231	1,390.00	18.5	579.76	57.6	K-8-4	7,534	2.52	5.23	105.00	5.00
Bloomfield	49,816	1,060.00	20.8	508.73	51.1	K-6-3-3	8,601	2.01	4.52	104.63	4.63
Orange	35,403	1,199.00	19.4	514.14	56.5	K-8-4	4,325	2.72	6.67	118.72	18.72
E. Orange	31,278	966.00	17.7	521.38	57.4	K-8-4	12,514	2.83	7.38	148.04	48.04
Newark	19,815	1,121.00	18.8	454.96	53.2	K-6-3; 9-12	78,904	3.69	6.39	317.80	109.82
County average	35,687	1,146.68	18.8	506.11	54.5	(1)	[2]179,617	2.64	5.33	202.58	42.81
Gloucester County:											
Greenwich Twp	79,635	1,012.00	21.6	441.69	49.6	K-8	1,349	1.08	2.10	104.07	4.07
Logan Twp	54,928	1,175.00	19.0	460.67	58.9	K-6	439	1.90	2.53	104.76	4.76
Kingsway Reg	28,577	984.00	18.1	452.91	50.5	7-12	912	(1.30)	(1)	230.25	34.75
Glassboro	26,285	1,011.00	18.1	459.83	54.7	K-8-4	2,775	2.79	4.29	247.00	20.85
Dept Ford	21,094	804.00	21.9	368.20	47.4	K-6-3-3	5,798	2.75	3.45	289.41	21.68
Clearview Reg	19,206	1,029.00	17.3	504.97	54.1	7-12	1,599	(1.89)	(1)	333.87	66.05
National Park	15,114	666.00	23.3	317.20	49.5	K-6	499	3.53	4.58	312.15	18.87
County average	26,558	852.46	20.9	405.92	49.4	(1)	[2]43,074	2.38	3.46	245.78	20.79
Hudson County:											
Secaucus	119,172	1,184.00	18.8	479.40	60.0	K-8	1,907	1.10	2.61	104.16	4.16
No. Bergen	54,029	823.00	22.2	422.89	46.2	K-8-4	7,180	1.52	41.7	104.67	4.67
Bayonne	46,949	1,031.00	19.6	466.16	51.6	K-8-4	9,473	1.56	4.39	105.01	6.01
Jersey City	26,786	897.00	22.5	395.80	46.5	K-8-4	39,084	2.82	6.40	221.52	54.58
Hoboken	19,079	811.00	22.1	433.59	47.6	K-6-3-3	7,981	2.77	7.03	293.68	40.82
County average	35,588	922.24	21.3	427.92	48.8	(1)	[2]92,985	2.03	4.83	192.18	$35.47
Hunterdon County:											
Tewksbury	67,391	1,051.00	18.2	421.52	58.9	K-8	587	2.12	2.89	102.61	2.61
Felmington-Raritan reg	48,124	1,060.00	16.7	515.71	66.5	K-8	2,003	(2.01)	2.94	102.68	2.68
Hunterton Cent. Reg	46,959	1,515.00	18.1	564.58	58.0	9-12	1,901	(1.00)	(1)	110.82	10.82
Clinton Twp	39,218	1,008.00	19.8	437.44	54.2	K-8	1,033	2.72	3.35	102.34	2.34
Lambertville	23,351	870.00	23.0	355.81	48.5	K-6	429	3.74	5.14	248.53	7.63
Hampton	15,756	902.00	23.1	376.76	47.6	K-8	276	4.14	5.54	324.35	38.47
County average	42,824	1,127.62	19.0	473.22	54.7	(1)	[2]18,074	2.34	3.17	132.95	7.51
Mercer County:											
Princeton Reg	88,073	1,521.00	16.0	617.79	66.1	K-8-4	4,025	(1.71)	3.25	104.18	40.64
Hopewell Valley Reg	49,788	1,041.00	18.8	457.42	54.8	K-8-4	3,655	(2.11)	3.39	128.76	0
Ewing Twp	45,853	1,145.00	18.6	526.63	53.9	K-6-3-3	5,543	2.05	3.37	104.95	4.96
Trenton	20,724	1,013.00	20.2	507.83	50.6	K-6-3-3	17,501	2.80	6.65	305.00	98.51
County average	39,066	1,052.98	19.4	487.63	53.0	(1)	[2]56,143	2.19	4.00	181.35	24.64

	Equalized valuation per pupil, 1971 (1)	Current expense per pupil, 1971-72 (2)	Pupils per full time teachers, 1969-70 (3)	Teacher salaries per pupil, 1969-70 (4)	Professional staff per 1,000 pupils, 1969-70 (5)	Grade span (6)	Enrollment, Sept. 30, 1971 (7)	Equalized school tax rate, 1971 (8)	Equalized total tax rate, 1971-72 (9)	State aid per pupil, 1971-72 (10)	State aid change per pupil, 1971-72 over 1970-71 (11)
Middlesex County:											
No. Brunswick	80,013	1,282.00	19.7	477.68	56.4	K-6-3	3,800	1.59	2.32	103.98	3.93
New Brunswick	50,532	1,179.00	18.3	537.72	56.2	K-6-3-3	5,432	1.74	3.20	106.51	6.51
Metuchen	40,190	1,016.00	20.6	446.12	51.3	K-8-4	3,465	2.17	3.43	107.05	4.27
Perth Amboy	35,888	985.00	20.8	446.71	50.6	K-8-4	6,685	1.86	4.25	129.98	15.54
Madison	25,505	1,069.00	19.7	445.56	53.9	K-8-4	13,038	3.20	4.29	221.51	24.04
Jamesburg	23,035	862.00	21.9	404.55	47.1	K-8-4	993	2.57	4.66	249.77	15.99
County average	40,859	1,047.44	19.7	457.40	52.9	(1)	[2]128,486	1.88	3.04	130.38	7.14
Monmouth County:											
Interlaken	194,511	1,486.00	(1)	(1)	(1)	(1)	73	(.59)	2.54	104.78	4.78
Deal	95,886	1,746.00	14.8	717.03	73.7	K-8	416	1.75	3.41	104.40	4.40
Rumson	65,913	1,158.00	19.5	501.82	53.6	K-8	1,073	1.97	3.47	111.28	0
Red Bank	55,974	1,488.00	16.4	619.01	62.1	K-8	1,323	2.23	3.85	105.65	5.65
Rumson-Fairhaven Reg	53,272	1,461.00	16.3	701.61	55.0	9-12	1,240	(1.10)	(1)	108.78	2.50
Wall Twp	41,638	1,116.00	20.8	457.73	49.0	K-8-4	3,954	2.80	4.16	104.29	4.29
Middletown Twp	32,686	881.00	22.4	425.94	46.5	K-6-3-3	13,964	2.47	3.66	154.43	0
Asbury Park	31,399	1,293.00	19.7	511.19	51.4	K-8-4	3,025	3.20	6.20	167.48	67.48
Freehold Reg	31,160	1,395.00	15.7	537.62	56.9	9-12	5,488	(1.19)	(1)	222.45	42.24
Manalapan-Englishtown Reg	24,532	874.00	23.1	343.68	42.3	K-8	4,129	3.59	4.47	322.41	0
Union Beach	18,966	890.00	26.0	328.60	41.5	K-8	1,670	2.65	4.55	292.37	25.45
County average	35,963	981.81	20.2	456.55	51.5	(1)	[2]110,386	2.52	3.97	174.86	10.58
Morris County:											
Harding Twp	145,084	1,582.00	14.6	724.35	71.1	K-8	562	.95	1.73	103.55	3.55
E. Hanover	77,003	1,156.00	19.8	453.08	56.0	K-8	1,554	1.73	2.43	102.12	2.12
Hanover Park Reg	73,398	1,584.00	14.1	703.10	65.4	9-12	2,230	(.66)	(1)	108.65	8.65
Madison	49,351	1,234.00	18.0	571.09	58.5	8-8-4	3,412	2.21	3.62	104.60	4.60
Parsippany Troy hills	43,189	986.00	19.6	478.62	54.2	8-8-4	11,227	2.19	3.19	103.74	3.74
W. Morris Reg	39,064	1,333.00	17.7	532.14	52.6	9-12	2,443	(.82)	(1)	146.95	31.30
Dover	36,988	901.00	20.6	451.90	51.1	8-8-4	3,063	2.00	3.13	106.13	6.13
Mt. Olive	29,452	1,023.00	17.8	469.34	61.7	K-8	2,789	2.87	3.57	158.83	9.89
Victory Gardens	13,023	999.00	(1)	(1)	(1)	(1)	282	4.52	5.50	293.92	0
County average	46,245	1,154.41	18.6	503.63	55.5	( )	[2]92,988	2.20	3.24	117.27	4.13

Ocean County:											
Mantoloking	432,084	1,498.00	(1)	(1)	(1)	(1)	69	.36	1.42	102.42	2.42
Lavalette	214,463	1,317.00	12.6	735.58	82.3	K 8	257	.67	1.71	104.07	4.07
Southern Reg	173,605	1,350.00	17.8	555.74	52.4	7-12	1,096	(.50)	(1)	108.36	8.36
Toms River Schools	40,505	978.00	21.5	431.56	49.0	K 8 4	14,786	2.47	3.53	143.88	0
Brick Twp	38,580	1,018.00	21.1	445.31	49.2	K 8 4	9,299	2.57	3.34	109.67	0
Lakehurst	10,709	733.00	22.7	358.21	47.1	K 8	775	1.29	3.99	330.70	5.36
County average	48,683	1,017.68	20.3	449.74	51.5	(1)	[2]51,825	2.02	3.10	145.00	5.82
Passaic County:											
Clifton	73,527	961.00	21.3	466.70	47.6	K 6 3 3	12,076	1.24	2.38	104.84	4.84
Passaic Co. Reg	61,249	1,354.00	17.9	581.62	51.1	9-12	2,245	(.82)	(1)	108.60	8.60
Wayne Twp	53,323	1,037.00	20.6	442.97	51.7	K 8 4	12,258	1.93	3.22	104.12	4.12
Lakeland Reg	34,970	1,223.00	18.6	504.82	50.9	9-12	1,172	(.84)	(1)	163.88	35.23
Passaic (city)	33,999	928.00	20.4	431.50	51.1	K 6 3 3	8,622	2.14	4.00	135.12	33.84
Paterson	23,232	857.00	21.8	423.38	48.8	K 8 4	27,246	2.57	5.23	259.88	65.22
County average	42,721	951.12	21.0	441.62	49.9	(1)	[2]89,291	1.92	3.47	157.46	17.74
Salem County:											
Mannington	41,834	1,086.00	16.6	470.54	58.5	K 8	443	1.77	2.78	168.56	0
Pennsville	32,273	1,098.00	16.4	558.47	63.0	K 6 3 3	3,536	1.00	1.96	178.24	0
Woodstown-Pilesgrove Reg	26,584	800.00	21.5	430.13	45.7	K 6 6	1,466	1.95	3.17	253.97	8.93
Penns Grove-Upper Penns Neck Reg	20,131	866.00	20.6	418.84	49.8	K 8 4	2,952	2.95	4.74	315.86	38.36
Salem (city)	17,351	933.00	20.8	411.62	48.5	K 8 4	1,799	3.14	5.21	352.46	67.34
County average	24,217	913.57	19.7	441.90	51.6	(1)	[2]15,285	1.78	3.00	262.03	22.46
Somerset County:											
Bedminster Twp	140,039	1,497.00	19.2	546.80	55.8	K 8	479	1.15	1.94	104.18	4.18
Bernardsville	73,786	1,236.00	18.1	535.22	56.5	K 6 6	1,368	1.75	2.89	104.93	4.93
Watchung Hills Reg	53,894	1,201.00	17.2	579.00	65.0	9-12	1,831	(.80)	(1)	108.73	8.73
Somerville	*45,157*	*1,181.00*	*18.7*	*575.87*	*53.4*	K 8 4	*2,591*	2.65	4.32	105.48	5.48
Bridgewater-Raritan Reg	41,181	1,120.00	19.0	522.82	54.5	K 8 4	10,624	2.05	2.64	168.63	0
Bound Brook	40,002	1,096.00	18.6	514.53	53.9	K 8 4	1,915	2.45	3.87	105.27	5.27
So. Boundbrook	27,178	1,061.00	18.1	475.25	57.7	K 8	965	2.84	4.06	186.73	0
County average	44,456	1,111.40	18.7	507.35	55.8	(1)	[2]49,338	2.26	3.23	123.12	3.39

	Equalized valuation per pupil, 1971 (1)	Current expense per pupil, 1971-72 (2)	Pupils per full time teachers, 1969-70 (3)	Teacher salaries per pupil, 1969-70 (4)	Professional staff per 1,000 pupils, 1969-70 (5)	Grade span (6)	Enrollment, Sept. 30, 1971 (7)	Equalized school tax rate, 1971 (8)	Equalized total tax rate, 1971-72 (9)	State aid per pupil, 1971-72 (10)	State aid change per pupil, 1971-72 over 1970-71 (11)
Sussex County:											
Sandyston Walpack	88,507	1,499.00	18.3	517.25	55.4	1-8	338	1.33	2.42	104.51	4.51
Vernon Twp	60,892	1,140.00	21.5	412.35	51.7	K-8	1,875	2.12	3.37	103.45	3.45
High Pt. Reg	47,683	1,642.00	14.9	682.83	62.4	9-12	788	(1.75)	(1)	120.89	0
Sparta	42,794	1,303.00	19.8	499.06	52.6	K-6-3-3	3,005	2.72	4.53	104.52	4.52
Hopatcong	32,422	959.00	19.0	420.45	55.9	K-8-3	2,857	3.24	4.98	112.12	12.12
Stanhope	24,046	956.00	21.8	391.61	49.7	K-8	789	3.19	5.55	258.76	11.81
County average	41,477	1,114.56	19.4	473.53	54.1	(1)	[2] 21,207	2.45	4.08	125.45	6.70
Union County:											
Linden	88,041	1,203.00	18.9	452.40	56.4	K-6-3-3	7,232	1.14	2.04	105.64	5.64
Summit	68,498	1,230.00	16.5	633.24	61.9	K-6-3-3	4,901	1.82	3.07	104.61	4.61
Union Co. Reg	57,898	1,435.00	18.7	570.43	57.8	9-12	5,665	(.81)	(1)	109.32	9.32
Elizabeth	43,920	1,038.00	20.5	458.72	50.6	K-6-3-3	15,990	1.88	3.81	128.93	23.93
Plainfield	31,220	1,093.00	19.9	500.72	54.2	K-6-3-3	9,679	3.21	5.61	145.46	37.18
Winfield	3,921	1,253.00	19.4	474.33	56.7	K-8	357	15.11	20.14	531.51	115.93
County average	52,020	1,111.42	19.3	515.19	54.2	(1)	[2] 104,096	1.91	3.24	114.61	7.51
Warren County:											
Hardwick	74,800	820.00	(1)	(1)	(1)	(1)	87	1.27	2.64	100.00	0
No. Warren Reg	49,380	1,332.00	(1)	(1)	(1)	7-12	665	(.70)	(1)	108.24	8.24
Hackettstown	32,928	1,116.00	19.5	447.42	52.6	K-8-4	2,078	3.43	5.00	164.11	0
Warren Hills Reg	31,822	1,031.00	18.4	461.58	49.8	7-9; 10-12	1,649	(1.21)	(1)	233.97	0
Phillipsburg	21,338	732.00	23.9	372.95	41.8	K-8-4	3,506	2.18	4.09	237.92	21.24
Oxford	18,487	895.00	18.2	414.96	54.5	K-8	413	2.88	3.94	296.56	31.73
County average	32,596	941.07	20.9	406.59	49.4	(1)	[2] 17,281	2.21	3.46	174.45	6.41

[1] Not applicable.

[2] Total.

SCHOOL TAXING AND SPENDING SYSTEM VALID UNDER SERRANO V. PRIEST

Lawyers, journalists, legislators, and others interested in the financing of public schools have indicated doubt concerning the options for school finance permitted by the holding in *Serrano* v. *Priest.*[1] The Lawyers' Committee felt that a description of several possible systems of taxing and spending for schools might respond to this concern. This brief paper is the barest outline of such systems, but it may provide the perplexed with a clearer sense of what is constitutionally permitted. As for the issue of what is desirable or politically feasible, each must decide according to his own value system and sense of what is possible in his own state.

The rule of *Serrano* (and *Van Dusartz* v. *Hatfield*)[2] is this; *the level of spending of a child's publicly financed elementary or secondary education may not be a function of wealth.* A state may employ whatever other rational and noninvidious criteria for spending it chooses; it is forbidden only to permit either school district wealth or family wealth to affect spending. Among the many possible valid bases for spending different amounts upon different pupils are the following:

1. Level of tax effort of the child's district;
2. Intellectual gifts of the child;
3. Educational disadvantages;
4. Age differences;
5. Curriculum differences;
6. Area cost differences;
7. Municipal overburden in the cities;
8. Transportation needs;
9. Compensation for prior economic discrimination;
10. Experimentation.

The first of these spending criteria—tax effort—is the only one that is difficult to understand, and the most controversial in policy terms. Basically the idea is that one district may be permitted to spend more than another district by virtue of its willingness to carry a greater local tax burden. However, all districts must have the same economic *capacity* to add on in this fashion; for any given tax rate chosen locally by two districts that are comparable except for their taxable wealth, the same level of spending per child must be permitted. If a "rich" district (one with high value of taxable property per child) taxes itself at 3% and is permitted by the legislature to spend $800, a "poor" district (low value per child) taxing at 3% must have the same opportunity to spend. This outcome may (and ordinarily would) require a subsidy to the poor district from the state; it may also require "recapture" from the rich district (i.e. if the local tax raises more than the system permits the district to spend).

The recapture of significant amounts is said to be difficult to manage politically. However, the need for recapture is diminished to the extent that the range of wealth per pupil from district to district is diminished. One way to achieve this constriction of present district wealth differences is simply to remove industrial and commercial property from the school district tax base. It is the clustering of artificial wealth of some districts. Such wealth could be taxed uniformly on a statewide basis providing thereby a general source for subsidy of poor districts and leaving the variable local tax to fall only upon residential proprety.

Systems of this kind that emphasize local effort but eliminate the influence of wealth are called "power equalizing." They permit local choice of spending level to continue within whatever range the legislature decides is desirable. Since this form of local choice remains constitutionally viable, it is fair to predict a political struggle in each state between those who prefer uniform spending statewide and those who want local control of spending. Various centralized models, local control models, and compromise models are set forth below. These or similar systems may compete for political attention.

It should not be supposed that the term "centralization" has a single meaning, nor that centralized systems automatically would terminate all local choice. The legislature could provide all the money the districts spend and yet leave the districts more or less free in terms of curriculum, teacher certification, and other aspects of administration. Even in fiscal matters districts in a centralized funding scheme may be given varying degrees of discretion in the actual use of whatever funds are given them by the state. At the extreme this would include systems in which the state gives a district more because of a special "need" of that district but does not insist that the district apply the extra funds to that particular use. There is no constitutional rule that prima facie forbids this.

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[1] *Serrano* v. *Priest*, 5 Cal. 3d 584, 487 Pac. 2d 1241 (1971).

[2] *Van Dusartz* v. *Hatfield*, — F. Supp. — (No. 3-17 Civ. 243, decided October 12, 1971, U.S.D.C. D Minn.).

Finally, though a state provides all funds from the state level it may yet encourage very substantial decentralization by delivering the money directly to the school rather than to the district; to go the final step, it could even deliver the funds directly to the family unit in the form of vouchers or school stamps. Voucher systems, however, would require strict proscription of tuition add-ons and even of voluntary inputs from private sources in order to satisfy the rule that wealth may not influence spending levels.

In considering possible systems it is often important to distinguish the manner in which the money is raised from the manner in which it is spent. For example, one might in general prefer equal spending per pupil in every district, and yet find some such equal spending systems quite intolerable. Suppose the state mandated equal spending of $1,000 per pupil in all districts, directing that that amount be raised solely from local taxes. In such a system educational spending might be equal, but property tax rates would be radically variable; in California they would range from one-tenth of one per cent to about 400 per cent of taxable value per pupil. The models below suggest little detail of how the model systems might be supported. Presumably the more progressive forms of taxation are to be encouraged, but it should be emphasized that it is not easy to specify the progressivity of a tax system without knowing its details.

There are also many technical refinements that can be important. For example, it is advantageous to big cities to count pupils by *enrollment* rather than attendance, because cities tend to have a higher truancy rate. Unfortunately, these many refinements cannot be treated here without frustrating the objective of brevity.

ELEVEN SCHOOL FINANCE MODELS

[The numbers employed in the models are almost completely arbitrary.]

I. "CENTRALIZED" MODELS

[In these models the state provides all funds from centralized taxation. Constitutionally this could include statewide property, value added, sales, and other taxes as well as the more generally desirable income tax with progressive rates.]

A. *Full State funding of districts*

1. With Full District Spending Discretion.

a. Model #1.—Equal dollars. The state would provide $1,000 per child in average daily enrollment. The district could decide its own spending priorities, including programs for gifted, blind, vocational, etc.

b. Model #2.—Equal dollars plus cost refinements. The state would provide $900 per pupil in ADE plus: $100 per student living beyond two miles from school; $100 per student for districts in areas with high cost of goods and services; $50 per student in areas with high density to account for "municipal overburden."

The district, again, could decide how to allocate these funds among its own students.

c. Model # 3.—Dollar Preferences for Specific Student Types. The state would categorize each student and assign a dollar value to him: 700 per normal average student; 1000 per underachieving student; 2000 per blind student; 1200 per gifted student; + categorical aids as in Model # 2; for district cost differences.

The district, however, again would be free to allocate the money according to its own internal priorities.

2. With Limited District Spending Discretion.

a. Model #4.—Equal Dollars; Prescribed Inequalities in Spending. The districts would receive $1200 per child but would be directed to spend differently for different students and programs, as for example: 2500 for blind; 1400 for vocational; 1400 for gifted; 1400 for underachievers.

b. Model # 5.—Categorical Inequality in both Provision and in Spending. Here the district would be provided its funds upon the same basis as in Model # 3, but would be directed to *spend* these funds according to similar priorities specified by the legislature.

B. Full State funding of the school itself

Here the state largely bypasses the district, giving fiscal support directly to the school. The district performs limited functions—largely back-up and regional—if it continues to exist at all.

1. Model # 6.—Equal Dollars. Each school receives $900 per pupil in ADE for its current operating expenses. The school is given a specified degree of autonomy in allocation of these funds. The state assumes reponsibility for capital costs which are provided separately as needed in the judgment of the state superintendent.

2. Model # 7.—Categorical Inequality in Spending. The state could fix its support according to the character of the student population, the curriculum, and/or area cost level of each school, with relatively narrow prescriptions of intraschool distribution. Presumably in both #6 and #7 special provision would be necessary for children incapable of functioning within the standard school milieu.

II. DECENTRALIZED MODELS

[In decentralized (power equalized) models a local tax source is employed to measure district effort. This source could be either property or local income or a combination of the two. Of course, the local tax would not fund more than a portion of the total cost. The state must supply subventions to the districts in amounts which will vary according to both the legislative formula and district taxing behavior. The state would also probably supply through a flat grant a basic adequate minimum level of spending.]

A. Model #8.—State flat grant plus local add-on

The state would supply a flat $700 from central sources, as in Model # 1. Each district could add on from $25 to $500 additional according to the rule that for each additional tax mill ($.001) on $100 taxable value of local property, and additional $25 could be spent. If a mill raised less than $25 (i.e., in districts with less than $25,000 assessed valuation per pupil) the state would make the difference; if it raised above $25, the excess would be recaptured by the state and be available for redistribution. Thus when a rich district and a poor district would each add 16 mills to its tax rate, each could spend a total of $1,100 per child.

B. Model #9.—State flat grant plus local add-on plus categorical state add-ons

The first two parts of this model are the same as Model #8. However, in addition to the flat grant and locally chosen add-on, the state would provide specific aids for any number of imaginable cost adjustments or policy preferences. Examples of such categorical adjustments appear in Models #2-4. Such adjustments could be included within the power-equalized add-on by adjustments in the formula instead of through flat grants. For example, under-achieving children could be counted twice.

III. FAMILY CHOICE SYSTEMS

[There are a number of hypothetical systems using the family as the local decision unit for part or all of publicly financed education. They can be very complex. Two of the simpler models satisfying the *Serrano* rule are presented here in bare outline.]

A. Model #10.—Voucher system

Families would receive vouchers for the full cost of education, say an average of $1,000; the school (private and public) could neither charge extra tuition nor (with few exceptions) receive private grants. Underachievers would receive larger vouchers to help equalize the quality of the school in which his parents choose to educate him. Admission to schools with more applicants than space would be by random selection. The system would be limited to an experiment in two or three urban areas.

B. Model #11.—School stamp supplement

As a supplement to any of the Models #1-10, the state could make available to underachieving children school stamps which could be redeemed for afterschool educational experiences—e.g. music or art classes. These are the barest bones of endlessly variable combinations of state and local taxing and spending which are not tied to wealth. Which of these would have political support in a given state can be judged only by those familiar with local conditions.

A BRIEF SUMMARY OF RECENT SCHOOL FINANCE REFORM ACTIVITY

CALIFORNIA

July 20, 1963. Senate created a special fact finding Committee to study revenues and taxation for school finance.

March 1965. Fact Finding Committee filed a report entitled "State and Local Fiscal Relationships in Public Education," which called for substantial improvements in the State's equalizing grants for local school districts.

August 23, 1968. *Serrano v. Priest* filed in Los Angeles Superior Court.

1965–70. Numerous bills filed seeking improvements in state's equalization formula. Among the most prominent were:

AB 1406. Introduced April 1971 by Assemblymen Leroy F. Green, et al. This bill proposed both a statewide property tax and substantial revisions in the state's system for distributing funds to local school districts. The bill provided for basic support plan for up to $1000 per pupil in fiscal year 1973–74.

SB 801. Introduced March 31, 1971 by Senator Rodda, et al. This bill proposed a statewide property tax and provided that the revenues would be distributed by the State's foundation program: the per pupil allowances of which would be increased substantially for fiscal year 1971–72.

Passage was not achieved for any of the above bills.

August 30, 1971. *Serrano v. Priest* decided by California Supreme Court.

October 1971. California Senate appoints the Select Committee for School Finance with the mandate to make specific recommendations by May 1, 1972.

February 1, 1972. "Watson initiative petition" signed by voters. The petition, which will be placed on the November 1972 ballot, calls for a constitutional Amendment restricting the use of local property tax for education.

ILLINOIS

November 15, 1968. *McInnis v. Olgilvie* filed and dismissed by a 3 judge federal court in Chicago. The *McInnis* complaint alleged that the Illinois system of financing public schools was unconstitutional under the Equal Protection Clause of the U.S. Constitution because of failure to consider the "educational needs" of plaintiff children.

March 24, 1969. *McInnis* dismissal affirmed by U.S. Supreme Court.

July 1971. State Constitutional Amendment went into effect which provided that the State has "primary responsibility" for funding education.

September 1971. *Blase v. Illinois* suit filed alleging that the State has violated its constitutional duty to take primary responsibility 'for funding local school districts.

October 1971. *Sparboro v. Illinois.*

October 1971. *Rothchild v. Bakalis* suit filed, alleging that "non-unified" school districts and unconstitutionally discriminated against by the State's formula for distributing education funds.

January 12, 1972. Governor Olgilvie appoint special committees to examine and make recommendations on the following subjects:

a. school finance.
b. school organization & structure.
c. classroom quality.
d. business management practice.

January 18, 1972. *Martwick v. Illinois* suit filed alleging that the state has violated its constitutional duty to take "primary responsibility" for funding local school districts.

January 24, 1972. *Tax Reform League v. Illinois* suit filed alleging that the Illinois system for financing public schools unconstitutional discriminates against tax payers and their children who reside in low property value school districts.

MINNESOTA

November 1970. Governor Wendell Anderson elected on a platform to reform the State's system for school finance—"Fair School Finance for Children & Taxpayers."

Summer, 1971. Expiration of State's school aid formula which provided 43% of total educational expenditures from local and state sources for the 1970–71 school year.

September 1971. Three law suits filed challenging the constitutionality of the State's school aid formula. Classes of plaintiffs included poor school children (*Van Dusartz v. Hatfield*), teachers, and taxpayers.

October 12, 1972. *Van Dusartz v. Hatfield* decided (no appeal taken).

October 30, 1972. Legislature passed new foundation program which raised foundation plan to $750/pupil from $450/pupil and increased the State's educational expenditures from 43% to over 63%.

NEW JERSEY

April 1968. Bateman Commission appointed by legislature to study the State's system for financing public schools and to make extensive recommendations. Bateman Commission issued final report which recommended an increase to the level of 50% for the State's share of school expenditures; a revision in the State's school aid distribution formula to take account for the varying needs of schools expenditures (e.g. disadvantaged students, handicapped students, etc.); and the establishment of a permanent commission to study the State's problems in financing public education.

February 17, 1970. *Robinson v. Cahill* filed.

January 1972. *Robinson v. Cahill* decided.

February 1972. $1.5 billion proposal for full state funding by Governor Cahill. The revenues for the proposed program would be provided by the following: $550 million State income tax; $600 million State property tax (to replace local property tax); $90 million corporate income taxes; $80 million by pluging exemptions for sales taxes.

MICHIGAN

October 1, 1965. Michigan Legislature authorized the establishment of a commission to investigate the financing of Michigan's public schools.

December 1967. The Commission issued its final report in which it recommended statewide property tax.

February 1968. Detroit Board of Education filed a suit in state court challenging the constitutionality of the state's system of financing public schools on the grounds that it violated the Equal Protection Clause of the U.S. Constitution in that it failed to base expenditures on educational need.

October 1969. Governor Milliken announced his education reform proposals to legislature which called for, among other things:

—the establishment of Statewide property tax

—elimination of local levies for education.

Summer 1971. Legislature rejected Milliken's amendment which would have provided an equalized State.

October 15, 1971. Governor filed suit, *Milliken* v. *Green*, challenging the Michigan system of financing public schools.

October 27, 1971. A second *Serrano*-type suit was filed. It was captioned *Montgomery* v. *Milliken*, and it was removed to federal court.

January 1972. Governor began drive to obtain 266,000 signatures for initiative petition that would enact his school finance reform suit.

March 1972. Detroit school board reactivated its school finance suit, filed earlier in early 1968.

TEXAS

1965. Texas Legislature authorized "Governor's Committee on Public School Education" to study and make recommendations on, among other things, the methods for funding public education in Texas.

October 1968. *Rodriguez v. San Antonio Independent* School Districts filed in federal court.

January 1969. *Guerra v. Smith* filed in federal court.

June 1969. Governor's Committee Report issued with a finding that grave inequities existed, and recommended that substantial revisions be made in the State's school aid formula.

Fall 1969. Houston, Dallas and Fort Worth School Districts filed suit challenging the constitutionality of the State's method for distributing State education monies.

Fall 1969 Summer 1971—No legislature activity.

June 1971. *Guerra v. Smith* dismissed, appeal taken to 5th Circuit.

December 24 1971. *Rodriguez* decided.

February 17, 1972. *Rodriguez* appealed to Supreme Court.
February 21, 1972. *Guerra* argued before 5th Circuit.

Mr. Pucinski. Mrs. Carey may want to allude to this material in further detail, but it will all go in the record at this point.

Mr. Bell. Mr. Chairman, are all members of the group before us from California?

Mr. Pucinski. No, I believe they are from different parts of the country.

Mr. Bell. I want to congratulate all of you on the success of your studies and your work.

Mr. Pucinski. I would concur in the statement. I think the cases in California and the other States have really turned aroind this Nation's whole thinking on financing education, and I believe when the record is written, we will probably find that the work you people have done has made a great contribution for every child in this country, black, white, rich or poor, and will provide for him or her an equal opportunity for a quality education, more so than any other single legal action taken in the history of this country.

I am impressed with what you did. I am pleased that you are here. We will now hear from Mrs. Carey.

STATEMENT OF MRS. SARAH C. CAREY, ASSISTANT DIRECTOR, LAWYERS' COMMITTEE FOR CIVIL RIGHTS UNDER LAW

Mrs. Carey. Thank you.

As a panel, we have representatives, as the chairman pointed out, from various States, where positive decisions have been handed down, and each of those persons will discuss the case with which he was involved.

Mr. Mark Yudof of Texas was unable to come to speak about the *Rodriguez* case, because the committee could not pay his way, and he has no funds, so Steve Browning will describe progress under that case.

In brief outline, we want to tell you what the cases that have been decided require, and what they do not require. There has been some confusion on that point. We will also point to other cases that have been filed subsequent to the *Serrano* case; they will add additional ramifications.

We will also touch upon what the State legislatures have done, having been commanded by the courts to come up with new formuli. And finally on the basis of these cases, we will make suggestions concerning what the Congress can do to meet some of the problems raised in the cases.

I think it is interesting to note in almost all of the States from which Congressmen here come from, there are suits pending.

There are presently, 38 lawsuits challenging financing systems in 22 States. A large number of these decisions are similar to *Serrano*. We are literally in the midst of a legal revolution.

A couple of brief comments on the background out of which these cases evolved: The cases are based on the traditional commitment of this Nation to a free system of public education, as a means of giving each student a way of developing to the best of his ability, and premised on the idea that this is to be a classless society, one that does not reinforce rigid economic and social lines.

The cases in effect show that we have abandoned our original commitment to universal, equal education.

The kinds of facts developed in the cases and the kinds of solutions requested show dramatically, and quite shockingly, that in many ways, the present educational system is "subsidizing the rich at the expense of the poor," as the court in the Texas case put it. We are giving poorer schools less money, and richer schools more money. As a consequence of this, the public school system is reinforcing in schoolchildren the economic status of their parents, so that the children, from the moment they enter school, are more or less tracked for life. This has recently been documented by the Fleischmann Commission report, in New York. This means we have come a long way from the original concept of Thomas Jefferson of education in this society.

The second major problem that the suits bring out and that gave rise to the suits in the first place, is the fact that we have an inflexible system of education.

It is all right, as Mr. Seldon was saying, for the normal child, but it does not take care of the exceptional child, or the child with handicaps.

The New York study showed that in New York State one out of every 10 children has some sort of physical, mental, or emotional condition that impairs his ability to participate in the public school problem. Yet less than 50 percent of those children are being taken care of by special programs.

In some jurisdictions, the only way to get handicapped children into schools is through a lawsuit; Philadelphia, New York, and the District of Columbia have recently had such lawsuits, and one is in preparation in Boston.

The public education system is even harsher on students with less overt handicaps, that is, children who have special learning problems because they come from particularly disadvantaged backgrounds. Almost no States take their kinds of need into consideration. A few like Rhode Island, do take into consideration AFDC enrollment as a factor in handing out money, but the State contributions is so insubstantial, it does not make much difference. In 1969, it was estimated that only eight or nine States had compensatory education programs and these accounted for only 2 percent of the school budget.

In some States like New Jersey, Massachusetts, New York, children from Spanish-speaking families, which are growing in numbers, do not have special English classes; they sit in class and learn nothing.

Other peripheral problems have been brought out by the school finance cases, and by the Commission studies; parents on school boards no longer feel they control the schools, there is no accountability; teacher salaries are shooting up, but there has been no increase in productivity; little or no research is going on in terms of what works in education.

The Office of Education collects massive data, but they do not bother to analyze it, all which is a tremendous waste, and this is true even of their own programs, like title I.

You cannot figure out what works, and under what circumstances, and finally, as the Fleischmann Commission study recently pointed out, over 66 percent of the children enrolled in school do not enjoy school; a substantial number find it a painful experience.

This is quite a commentary on one of the world's leading public educational systems.

Underlying all of the problems is the fact that the present system of financing is totally inequitable and irrational. There is no business in the world that could survive on a financing scheme similar to the school financing system. I think the recent experience in the District of Columbia, which has turned into almost a comedy situation, illustrates the point. They cannot tell you how many teachers they have, what they are spending, or how much it costs to educate children There is no relationship between the amount of money made available and actual costs. The educational system is second highest to defense in terms of public expenditure and you cannot find out what anything costs and what it is being spent for.

It is out of this kind of situation that the lawsuits we have discussed this morning have arisen.

They do not get at all the problems I mentioned earlier; they focus on the problems of collection and distribution of revenues for public school financing.

In brief: There have been 12 lawsuits decided in this area, six of these in Federal Court, the others in State courts.

As you know, the first case started out in Illinois, *McInnis* v. *Olgilvie* in 1968, in which the Federal judge decided that he could not handle it. The issue was too broad. He had not been given a manageable standard.

The plaintiffs, he thought, were asking for distribution of funds according to educational need, and not according to any other more measurable standard of equality.

Finally, he could not see anything irrational with a system where money was handed out on a basis of local property tax values, as opposed to the cost of education.

The *McInnis* was followed by two others that took the same line, an Oklahoma case and a Virginia case, both of which were negative. The movement stopped for a while until last summer, in August 1971, with the California decision in the *Serrano* case. This represented a shift in terms of the kind of standard that the plaintiffs were seeking from the court. Instead of talking about educational need, they set a standard of fiscal neutrality; the money cannot be handed out on the basis of wealth, other than the wealth of the State as a whole. They sought to break the connection between the property tax and the distribution of the State funds, because that nexus prevented equality of distribution.

Serrano was followed quickly by a case out of Minnesota which came out with a similar decision adopting the *Serrano* reasoning. Then in December, *Rodriquez* was decided in Texas by the three-judge Federal court. The ruling followed *Serrano*, with a slight twist. The court found education to be a fundamental interest but also declared that the Texas system was so irrational, it should be knocked out even without a fundamental interest finding.

Rodriquez is probably the case that will move first to the U.S. Supreme Court. An appeal has already been filed; we do not know whether the court will review it or not, but we assume it will.

Finally, we have a case that will be discussed, *Robinson* v. *Cahill* from New Jersey, that is one of the most interesting cases in terms of the interpretation of the State constitution.

As you know, almost every State constitution requires the State to provide a system of education. In New Jersey, it requires a "thorough and efficient" education, and other States have similiar qualifying words. These words have had no content for years. They have not been interpreted by the courts.

The New Jersey case says that the "thorough and efficient" requirement should be taken seriously, that the State is, in effect, mandated to live up to that standard. You will hear more about that from Mr. Ruvoldt.

In Illinois, three cases have recently been filed; they are also relying on unusual wording in the State constitution. The constitution was amended in 1970, I believe, to state specifically, that the State shall provide the primary financing in the school area. Suits are now being filed by a variety of people, to get that interpreted as meaning over 50 percent. This would mean a fairly good increase in local aid.

There have been a couple of other decisions, generally along the line of *Serrano:* A positive Wyoming decision, a negative New York State decision—that relied on *McInnis*—and an Arizona decision.

That is roughly the scorecard in terms of what has been decided. It is easier to run that down than to say what it all means.

It is clear from the ruckus that occurred after *Serrano*, a lot of people thought it meant things that it did not mean.

Serrano established a negative standard. It did not say you have to go out and do anything specific. It said simply, that you cannot give school funds to localities on the basis of the wealth of the locality. This permits a tremendous range of solutions.

It allows anything from a substantial increase in the State's equalization contribution, you could have California providing sufficiently more State funds so the local property tax contribution was no longer the dominant contribution. You could have equal dollar expenditures, provided from a variety of tax devices; you could have power equalization, something dreamed up by professors out in California, whereby the State lets local school districts pick their own tax rate, and then guarantees that comparable rates will produce comparable amounts of money, by taking from the rich to give to the poor. And then you could have a more sophisticated kind of formulation of distribution.

They are all possible, they are not ruled out. Judging from the past actions of State legislators they will probably opt for the minimum.

It is unlikely in many of our States that the legislature will select the optimum plan. In New York, for example, the Fleischmann Commission has come up with some very exciting proposals; to provide extra funds for disadvanaged kids, to leveling off with property tax, with the State assuming special responsibility for the handicapped and other kind of difficult problem children. But given the climate in New York today, the taxpayer revolution in that State, it is unlikely that these provisions will be enacted. Even if New York had a *Serrano* decision, such measures would not be required. That is the tough thing with these cases, and one of the things that produces frustration on the part of lawyers. The lawyers can help to remove the obstacles to reform but they cannot shape the future except to a minimum extent.

It is interesting, cities were among the biggest pushers for this kind of reform. After the *Serrano* decision there were mayors all over the country calling us; they wanted to file suit tomorrow. But it has been learned since that some of the solutions allowable under *Serrano*, like equal dollar expenditures, do not necessarily improve the position of the cities.

In fact, if the existing tax structure is maintained, some of the big cities could have more money taken away, and get back less per capita than at present.

There are of course formulations that will take care of the needs of the cities, by building in extra costs for the differences in salaries, and construction costs and all of the various things that makes cities more expensive places to run schools, and also taking into account the extra costs of disadvantaged kids.

But, as I said, these are not required, and unless you have a progressive legislature, it will probably not come about.

Another bit of confusion over the *Serrano* decision, it does not require abolition of the property tax. You can rely on a more limited local property tax contribution or you can have a State property tax.

You must, however, be sure that the predominant contribution to a local budget is not based exclusively on the value of land in that area.

As I indicated earlier, the *Serrano* decision does not increase State control. It encourages greater State control of financing, but in no way affects control of other areas—curricula, hiring, none of the other major decisions that have to be made in regard to schools.

We have right now two lines of legal decisions, one based on State constitutional provisions, breathing new life into some of those provisions, the other based on the 14th amendment of the U.S. Constitution, defining what equality with regarding to handing out school money means under that amendment.

Both of these lines of legal thinking will go through a lengthy period of evolution, unless the Supreme Court suddenly brings everything to a halt. In that event, the State cases may proceed independently. It is probable also that particularly in the Federal Constitution line of cases a lot of new ramifications will develop.

The next few years in school finance litigation may be similar to the history of the voting rights decisions. These cases started out with the principle of one man, one vote, and then in subsequent challenges to more conditioned problems like multi-member districts, you had to develop new standards. Probably, the fiscal neutrality standard will be formed in the same fashion. There will be subsequent decisions that build in specific, much more concrete criteria than the *Serrano* decision; unless there is a major reversal, it is likely we will see a continual development in this direction.

One of the biggest issues just emerging that *Serrano* only touches on is the whole way that property taxes are collected.

Serrano focused primarily on distribution. The resolution it came up with will necessarily require some shift in revenue raising practices, but it does not get at property assessment practices. The property tax is probably the single most corrupt tax in the country, in the way it is administered. But there is nothing in *Serrano* that requires, for example, a State to have more control over its local assessors, or better State review of local assessments, or great uniformity of assessment, or any of the other steps, that have been recommended for years to change the property taxes. Of the decided cases, only the *Robinson* case touches upon this problem. As you know, it requires school funds to be raised from a State tax in the future.

There are decisions coming along, one out of Texas, Dallas, Fort Worth, and another city in that State, are claiming that property taxes are administered in such an unfair way in Texas that only urban areas where they have professional assessors, pay more taxes and get less back because of high assessments than less urban areas where there are nonprofessional assessors who just toss a coin and generally come up with lower assessments.

The urban areas also have far more tax exempt property. They have State facilities and Federal facilities, that everybody in the State benefits from, but they must pay for them, and finally, the cities claim they are getting less money back, compared to their contribution.

There is a Federal court decision out of Alabama, that invalidates that State's highly unequal assessment practices and a similar one in Kentucky, decided in State court a couple of years ago.

Some of these cases, like the *Serrano* case order the State legislature to come up with a new constitutional assessment scheme. Even under such an order, some States are not terribly interested in doing so, so that you have in Alabama, for example, a great deal of resistance to legislative compliance with the Federal court order.

I would like to touch briefly on what the States have done, I think you will get more of this for each individual State, as we deal with those. There has been a long-term effort in a number of States to change school finance laws. In Michigan, for example, it started with the Constitutional convention in 1961; 11 years have passed and the State is still piddling around with this issue. In many States, there are State Legislative Commissions, there are private commissions, there are tax commissions, all of which have documented the inequities, but it does not appear that State legislatures, because of the basic shift required in resource allocations, are very enthusiastic about taking the necessary steps.

Show them what is necessary is not enough; without a bigger shove, they do not want to do it.

The cases do provide a shove. They produce a court order, saying all school funds will be cut off, until the system is changed.

Another big shove could be provided by the Federal Government. Probably this is a more satisfactory way of doing it, a better way than bringing 50 lawsuits, each of which costs between $50,000 and $100,000, and which give rise to the unhappy feelings litigation usually produces. I think we all feel that if the Federal Government increases its assistance to education, in any substantial manner, and even under existing programs, it must condition its grants to the States on a commitment to put their own houses in order.

Something like a title VI for school financing is needed, providing that any Federal money given out for schools be given out only after a showing that the State has taken steps to clean up its own finances.

I think also that the suggestion that appears in Mr. Perkins' bill of some sort of Federal contribution to equalize educational resources among the States is a very sound one.

That is a problem the *Serrano* case does not get at; *Serrano* is based on the 14th amendment that deals with intrastate action, and not with interstate problems.

I think there should be a continuation of categorical programs to meet special national priorities. For example, the children who are being helped by title I are still a national problem.

Until the States devise ways of dealing with the children of welfare recipients or until title I demonstrates how to do it, it is probably sensible to continue title I at its present level or higher.

I think that the Office of Education should be required to evaluate the impact of any money it distributes.

As I mentioned earlier, there is at present little analysis of the data collected.

I also think that local districts receiving funds should be required to disclose to the public data demonstrating how they run their school systems. The story of the *Hobson* case here in the District of Columbia shows how hard it is to get such data and how far a citizen must go to find out what is going on in his own school system.

Finally, the Federal Government must provide some kind of research and data capability. The lawsuits themselves have been an incredible stimulation for the collection of data that should have been collected for decades, but was not being collected. For the first time schools are being required to show in court what kind of money they spend on their students, and what the results have been.

It is absurd this was never done before, but I think the Office of Education can now lead the way showing what needs to be collected, how it should be analyzed, and then making it public. It really is difficult to believe; when the issue of big cities first came up, there was nobody in the Federal Government you could call, to find out how much more education costs in a city because of salary increases, or because of construction costs; to obtain figures on disadvantaged kids to quantify the differences in educational needs. It was impossible to determine if the educators were just pulling numbers out of the air.

Those are the main comments that I wanted to make. I would like to call on the attorneys in the order in which the decisions were decided, so that you can see the evolution of the legal thinking.

The first case was the *Serrano* case, and we have Terry J. Hatter, Jr., from that scene, who can tell you about that case.

Mr. PUCINSKI. Mr. Hatter, your prepared statement will go in the record at this point.

(The statement referred to follows:)

STATEMENT OF TERRY J. HATTER, JR., WESTERN CENTER ON LAW AND POVERTY, LOS ANGELES, CALIF.

I am Terry J. Hatter, Jr., executive director of the Western Center on Law and Poverty in Los Angeles, and associate clinical professor of law at the university of Southern California.

I come to you today with a unique concern for the issues you are studying. First, because they are of direct importance to thousands of clients of Legal Services programs in Southern California, and, indeed, across the entire nation. And second, because the recent landmark decision of the California Supreme Court regarding the State's methods of financing public elementary and secondary schools resulted from a case, *Serrano* v. *Priest*, initiated by the Western Center on behalf of a number of our clients in East Los Angeles.

The Center was joined in this suit by attorneys from other Legal Services programs, the San Francisco Board of Education, the Mexican American Legal Defense and Education Fund, the Youth Law Center in San Francisco, the Mexican American Bar Association of California, and law professors from USC, UCLA and the University of California Law School in Berkeley, as well as by a number of private attorneys.

Clearly, almost overnight the matter of school financing has become one of the major domestic issues of the decade. Since the California ruling in *Serrano* there have been similar decisions in three other states: Texas, Minnesota and New Jersey. Challenges are under way in several other states at the present time. And as you know, in his State of the Union address last month, President Nixon singled out the whole area of school financing for special study and action.

MYTHS ABOUT THE SERRANO DECISION

Perhaps at the beginning I should note that a number of myths have arisen concerning the *Serrano* decision which have caused a good deal of confusion. I understand that in the wake of the court ruling some Californians even thought they no longer had to pay their property taxes!

First of all, the *Serrano* decision is not retroactive. As the Court stated subsequently in October, 1971: "As in the cases of school desegregation . . . and legislative reapportionment . . . a determination that an existing plan of governmental operation denies equal protection does not necessarily require invalidation of past acts undertaken pursuant to that plan or an immediate implementation of a constitutionally valid substitute. Obviously, any judgment invalidating the existing system of public school financing should make clear that the existing system is to remain operable until an appropriate new system, which is not violative of equal protection of the laws, can be put into effect." [5 Cal. 3d 884a]

Second, the *Serrano* decision does not mean that the use of the property tax for school financing is inherently unconstitutional. The decision simply invalidated a system of school financing substantially dependent on local property taxes which resulted in wide disparties between districts in school revenue and spending.

Third, the decision does not require uniformity of spending. Governments discriminate all the time in the use of dollars and there is nothing illegal about it, but it is usually one on a rational basis. For example, the Court did not bar extra spending for special children—the handicapped, the gifted, the disadvantaged. It spoke only of *basic* education.

Fourth, *Serrano* does not mean that there shall be any lowering of the quality of education in California. Indeed, while the decision talks about financing, its entire underlying concern is for quality education—but for *all* children, not just the privileged few.

And finally, the decision does not imply that in the future there shall be any less local control of schools. (Although parenthetically I must note that the notion of "local control" is in itself somewhat a myth, since numerous State regulations such as the State Education Code already clearly define a local district's educational program). I think an analogy can fairly be drawn here with other governmental programs such as welfare, which while funded equally at a statewide level are administered locally as the local community wishes within certain predetermined guidelines.

It is important to note here, too, that in ruling in *Serrano* the California Supreme Court did not dictate a remedy. The response of the State of California, or any other state with a *Serrano*-type decision, must be to wrestle painfully with the implications of the Court's decision and to produce new methods of dealing with a complicated problem in line with constitutional concepts of equal protection.

INTENT OF SERRANO DECISION

What then does the *Serrano* decision mean? In ruling that ". . . the California public school financing system, with its substantial dependence on local property taxes and resultant wide disparities in school revenue . . . invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors . . . (and) that such a system cannot withstand constitutional challenge and must fall before the equal protection clause," the California Supreme Court concluded with the statement that—

"By our holding today we further the cherished idea of American education that in a democratic society free public schools shall make available to all children equally the abundant gifts of learning." [5 Cal. 3d 584]

The directive of the Court is clear to anyone who wants to listen, and to those who are willing to pay for the consequences. There is to be equalization of *basic* education for all; there is to be the opportunity for education for all; and everybody is to pay his fair share!

IMPLICATIONS OF THE SERRANO DECISION

It is now a well established fact that within California, as within the rest of the nation (with the exception of the State of Hawaii), there are grave discrepancies between the rate at which a community is taxed and the amount of money spent on the education of its children. In Los Angeles County, for example, in 1968–69 the Beverly Hills tax rate per $100 in assessed valuation was $2.38 and the district was able to spend $1,232 per pupil. Twenty miles away in Baldwin Park, the tax rate was $5.48, but the district could spend only $577 per pupil. Even wider gaps exist in other states.

But a more accurate perspective can be obtained by ignoring the extreme cases. According to a Rand Corporation study published in 1971:

"If, for example, we neglect the highest and lowest 5 percent of pupils in the distributions . . . the remaining variations within each class of district covers a range of about 6.1 to 1; i.e., districts at the upper end of the distribution spend about 60 percent more per pupil than those at the low end. Ninety percent of all pupils attended districts that spent in the following ranges: elementary, $490 to $800; high school, $700 to $1150; and unified districts, $570 to $880. This is still a wide enough range of variation to produce sharp differences in the educational programs of districts at opposite ends of the scale."[1]

The same study reaches a noteworthy conclusion:

"In sum, school spending is not systematically related either to the willingness of communities to tax themselves or to the educational task to be performed, but primarily to economic factors that have little or nothing to do with education."[2]

This is a truth which has been obvious to Legal Services attorneys and other lawyers and educators working with them since they first began dealing with school financing issues, but it is reenforcing to know that a study conducted by an unaligned, impartial and respected group such as the Rand Corporation also reaches the same conclusions.

Stereotypes are always dangerous, and it would be unfair to imply that poorer communities have a greater concern for the education of their children than do more wealthy communities. Yet, going back to the disparities in rates of taxation between many of the school districts, the statistics prove conclusively that the poorer communities are willing to tax themselves at more than twice the rate of the more wealthy communities, but that despite this willingness they can spend only half as much per pupil.

Yet, in a report presented to the Beverly Hills Board of Education by its Unified School District's staff in December, 1971, it is stated that a full implementation of the *Serrano* decision would mean that the District would have to reduce its teachers almost 50%, cut its classified staff nearly in half, reduce all remaining employee salaries by 10%, increase class sizes by 50%, and delete its summer school program.[3]

The irrefutable fact remains that under the *Serrano* decision, residents of Beverly Hills or other wealthy school districts can continue to maintain quality educational systems if they are willing to tax themselves at the same high rates as residents of less wealthy districts. This, of course, would mean that they would pay more in taxes so that less affluent communities could also have quality education.

One possible way this might be accomplished has been suggested by Professor John E. Coons, a professor of law at the University of California School of Law in Berkeley, and one of the many attorneys who assisted in the preparation of the *Serrano* suit. Professor Coons has suggested a "power equalizing" plan in which the state would set maximum and minimum levels of spending per pupil. Within those limits a local district would be free to decide how much it wanted to spend. The amount chosen would trigger a predetermined tax rate on local property, and if this tax raised less than the expenditure permitted for that rate, then the state would supply the difference. But if it produced an excess, this would be siphoned off for use in poorer districts.

It is not within my province to determine means by which *Serrano*-type decisions shall be implemented. That is the prerogative of duly elected legislative bodies. However, as an attorney for the poor, I would like to call to your attention several pitfalls which would pose serious problems for my clients.

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[1] Barro, Stephen M., The Rand Corporation, *Alternatives in California School Finance*, (May 1971), Santa Monica, Ca., p. 32.

[2] *Ibid.*, p. vi.

[3] Los Angeles *Times*, "What Court Ruling Bodes for Schools in B.H.," (December 5, 1971), Los Angeles, Ca.

One of these is the imposition of increased sales taxes. Many of us have severe reservations about such taxes because they are basically "regressive" and would hurt especially the low and middle income groups. This same reservation is true also of the "value-added" tax, because it is a percentage tax on a commodity which would ultimately be passed on to the consumer. Rather, I would tend to agree with those who argue that new revenues should be obtained by eliminating tax loopholes favoring the rich and various special interests. Representative James C. Corman (D-Los Angeles) has introduced such a reform bill with Representative John E. Moss (D-Sacramento) as cosponsor, which it is estimated would bring in $20 billion a year by closing a variety of loopholes.

Another pitfall which I would hope could be avoided would be the establishment of property taxes so high that poorer communities would be unable to meet them and at the same time provide the other municipal services necessary in their area. No educational tax scheme should be so high that a poor community does not have remaining tax dollars available for other necessary services. Nor should property taxes be so high that the poor are ultimately taxed out of their homes.

In conclusion I would like to mention one of the specters which has been raised by those who are unable to oppose a *Serrano* decision morally, but who object to paying for its consequences. This has been characterized by Professor Coons as the "equal sewer" problem. By this he means, if the Constitution requires equality in education, might it not also require equality in other local services such as fire and sanitation?

In my view, this is not the issue. Education is a fundamental right of all our society. In its landmark decision, the California Supreme Court quoted Horace Mann's credo: "I believe in the existence of a great, immortal immutable principle of natural law, or natural ethics—a principle antecedent to all human institutions, and incapable of being abrogated by any ordinance of man . . . which prove the *absolute right* to an education of every human being that comes into the world, and which, of course, proves the correlative duty of every government to see that the means of that education are provided for all . . ."

I would add to that only the comment of the United States Supreme Court: "Today, education is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society. It is required in the performance of our most basic public responsibilities, even service in the armed forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training and in helping him to adjust normally to his environment. In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms." [*Brown v. Board of Education of Topeka*, 347 U.S. 483 (1954)]

STATEMENT OF TERRY J. HATTER, JR., WESTERN CENTER ON LAW AND POVERTY OF LOS ANGELES, CALIF.

Mr. HATTER. Thank you, Mr. Chairman, members of the committee.

First, I think you should be congratulated for getting into this whole picture of school funding some 8 years ago.

By that, I mean when you first passed the Economic Opportunity Act of 1964, and since amended, that act includes an Office of Legal Services, and as you are aware, most of these cases, particularly *Serrano* were carried on basically by Legal Service lawyers, working with very limited budgets, but nevertheless breaking the ground, and I hope breaking the legislative logjam in this particular area.

Clearly, it was not Legal Service lawyers alone involved.

Indeed, one of my colleagues here today is a private practitioner, but it was this sort of effort by the Legal Services bar, together with private practitioners, law faculty, and others involved.

For example, in the *Serrano* suit, we have in that suit with us, other Legal Services programs, and the San Francisco Board of Education. And I remember Congressman Bell alluded to some figures from the report talking about how San Francisco would stand to lose some dollars. Nevertheless, the board of education in San Francisco did join in the suit on the side of the plaintiffs. And it is rather interesting too, as I am sure you will find later, that given the sort of commitment we ought to have to education in this country, which the chairman has alluded to earlier today, and also his remarks for the record (I believe March 17, 1971), given that sort of commitment, no district would stand to lose, but instead we could increase the quality of education.

Together with the San Francisco Board of Education, there was also the Mexican-American legal defense and education fund, and law professors from UCLA, USC, and the University of California at Berkeley. And it was that sort of an effort, a commitment on the part of these people looking hopefully to the commitment on your part and on the part of our Nation to bring about quality education, and, of course, equality of educational opportunity which has been lacking for so long.

I want, if I might, to just talk about some of the myths about the *Serrano* decision. Most of you are now familiar with it, and the fact that it stands basically for the premise that education cannot be a function of wealth, unless it is the wealth of the entire State. As was pointed out, some of you are even concerned that that does not go far enough, but that is all that *Serrano* has said.

Several of you have already offered bills that talk about equalization of education between the States, however, *Serrano* only talks about education within one State.

First of all, however, in dealing with some of the myths, the *Serrano* decision is not retroactive. There has been a good deal of thinking on the part of some because of misinformation in the press, that the decision would be retroactive.

The Supreme Court of California had to deal with that situation itself, and there was an order of clarification, which was issued in October, 1971. And it stated that as in the cases of school desegregation and legislative reapportionment, a determination that an existing plan of governmental operation denies equal protection does not necessarily require invalidation of past acts undertaken pursuant to that plan, or an immediate implementation of a constitutionally valid substitute.

Obviously, any judgment invalidating the existing system of public school financing should make clear that the existing system is to remain operable until an appropriate new system, which is not violative of equal protection of the laws, can be put into effect.

Second, what the courts were concerned about was the wide disparity between districts in school revenue and school spending. The decision does not mean that the use of the property tax for school financing is inherently unconstitutional.

Third, the decision does not require uniformity of spending. That is another problem that people have.

Some of the wealthier districts have represented that what a decision like this might mean is a lessening of the quality of education, rather than a strengthening.

The court is merely talking about the neutrality of spending, a neutrality of financing for education.

The fourth thing, *Serrano* does not mean that there shall be any lowering of the quality of education in California.

Indeed, while the decision talks about financing, its entire underlying concern is for quality education—but for all children, not just the privileged few.

And finally, the decision does not imply that in the future there shall be any less local control of schools. Although parenthetically I must note that the notion of "local control" is in itself somewhat a myth, since numerous State regulations such as the State education code already clearly define a local district's educational program.

As you know, in California particularly, Congressman Bell, the State sets all sorts of mandates for education within districts.

I served on a school board in the bay area in California for several years, and I found myself almost powerless to really affect curricula change, and anything else dealing with the quality of education.

All of these things come from the State board of education, and through the legislature itself.

Now, it seems to me the court would be providing more local autonomy if, indeed, they could provide the districts with more money to insure programs of quality. Then the local boards could deal within the perimeters set forth.

It is important to note here, too, that in ruling in *Serrano* the California Supreme Court did not dictate a remedy.

The response of the State of California, or any other State with a *Serrano*-type decision, must be to wrestle painfully with the implications of the court's decision and to produce new methods of dealing with a complicated problem in line with constitutional concepts of equal protection.

This is up to you gentlemen, and, of course, to the State legislators.

I am glad Congressman Quie came back. I know he mentioned earlier, it seemed to him that there would have to be some kind of particular tax that would be earmarked for schools, for us to make that commitment toward education.

I do not agree with that. I agree with the representative from the American Federation of Teachers that spoke earlier, it is not the sort of singling out that schools need.

What sort of tax did we look for to finance Vietnam? It seems to me the Department of Defense has managed without a particular tax.

Mr. QUIE. You have a different situation with Defense. Nobody shares the responsibility of defense; it is a hundred percent under the Constitution of the Federal Government.

Now, the Federal Government does not finance education 100 percent. There is a tendency to leave the matter to the States. That is why I have a feeling that we will continue to be inadequately financed.

Mr. HUTTER. I understand your concern there, but, again, I would have to allude to Vietnam, in the fact that we have spent in the past few years more billions of dollars than any of you gentlemen are talking about, even with some of the better pieces of proposed legislation. But apart from that, it seems to me, if you single out the schools, you just have a continuation of what has happened with the property taxes. The only way the citizens have of letting you legislators know that they are tired of the tax burden, at least in the way it is administered, is by voting against school issues, school bonds. I am convinced that most Americans are not opposed to decent education, but they are opposed in the way the taxes are being administered, and it seems to me this may have that same burdensome effect.

Mr. QUIE. Do you think they are satisfied with the type of education they are receiving, for the amount of money being spent?

Mr. HATTER. I do not think there is any doubt about that, particularly in the poor communities, brown, black, one reason why we are now turning our attention to it is that.

Unfortunately, we have not had the right sort of commitment to education.

I think unduly, because of racism in this Nation, that too many people have not had to compete with brown and black and other minorities, and indeed poor whites, for jobs, and the sort of education they received, really was not that important.

Now, I think the attention, both from within, by civil rights movements, and, of course, from outside, the Russians, Sputnik, and other sorts of things made us take a look at education, and it has given us now an impetus to proceed. And I think a case like *Serrano* will make the legislatures that have not had a real push, that it will now give them that sort of push.

I would like to just mention a few other things about the *Serrano* decision, if I might, the intent of the case I think is important.

In ruling, the ". . . the California public school financing system, with its substantial dependence on local property taxes and resultant wide disparities in school revenue . . . invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors * * * (and) that such a system cannot withstand constitutional challenge and must fall before the equal protection clause," the California Supreme Court concluded with the statement that "By our holding today we farther the cherished idea of American education that in a democratic society free public schools shall make available to all children equally the abundant gifts of learning.

The directive of the court is clear to anyone who wants to listen, and to those who are willing to pay for the consequences. There is to be equalization of basic education for all; there is to be the opportunity for education for all; and everybody is to pay his fair share.

Now, the court does not say anything about basic needs, but you need to talk about the handicapped and the deprived, if there is to be an opportunity for them.

It is now a well-established fact that within California, as within the rest of the Nation (with the exception of the State of Hawaii), there are grave discrepancies between the rate at which a community is taxed and the amount of money spent on the education of its children.

In Los Angeles County, for example, in 1968–69 the Beverly Hills tax rate per $100 in assessed valuation was $2.38 and the district was able to spend $1,232 per pupil.

Twenty miles away in Baldwin Park, the tax rate was $5.48, but the district could spend only $577 per pupil.

Even wider gaps exist in other States.

Mr. Bell. It is about half as much as Beverly Hills?

Mr. Hatter. That is right, and another interesting point, there is a study by the Rand Corp., a study which points out, even when you leave out the worse offenders, you still have this wide disparity.

Mr. Bell. You say that the *Serrano* decision would require that each one pay an equal share of taxes?

Mr. Hatter: It does not say they have to pay an equal share, but they must have an equal educational opportunity.

It does not attempt to set a ceiling at all.

Mr. Bell. I thought you implied that?

Mr. Hatter. No, I am glad you straightened that out for the record.

That is not the case.

This is a truth which has been obvious to legal services attorneys and other lawyers and educators working with them since they first began dealing with school financing issues, but it is reenforcing to know that a study conducted by an unalined, impartial and respected group such as the Rand Corp. also reaches the same conclusion.

The court is merely reinforcing what is already known by these studies, in that there has been this great disparity between the various districts.

Stereotypes are always dangerous, and it would be unfair to imply that poorer communities have a greater concern for the education of their children than do more wealthy communities.

Yet, going back to the disparities in rates of taxation between many of the school districts, the statistics prove conclusively that the poorer communities are willing to tax themselves at more than twice the rate of the more wealthy communities, but that despite this willingness they can spend only half as much per pupil.

Yet, in a report presented to the Beverly Hills Board of Education by its unified school district's staff in December 1971, it is stated that a full implementation of the *Serrano* decision would mean that the district would have to reduce its teachers almost 50 percent, cut its classified staff nearly in half, reduce all remaining employee salaries by 10 percent, increase class sizes by 50 percent, and delete its summer school program.

The irrefutable fact remains that under the *Serrano* decision, residents of Beverly Hills or other wealthy school districts can continue to maintain quality educational systems if they are willing to tax themselves at the same high rate as residents of less wealthy districts, of course, all are not as wealthy as this one school district; they do not have the same sort of factors involved. But these districts can continue to maintain quality education, if they are willing to tax themselves, and at the same rate as the poor districts.

It is not a matter of asking Beverly Hills to do it alone. Some other district in Los Angeles could be the lighthouse district, could set the tone for some of the quality education, could do some of the experimentation.

It is not asking the people of Beverly Hills to do less for their children, but to ask them to do more for the State of California.

Now, Professor Coons, a professor of law at the University of California School of Law in Berkeley, and one of the many attorneys who assisted in the preparation of the *Serrano* suit, has suggested a "power equalizing" plan in which the State would set maximum and minimum levels of spending per pupil.

Mr. Quie. Excuse me.

You said they are not asked to do less for their children in Beverly Hills, but to do more for the children of the State of California.

I understand, if you implemented the *Serrano* decision, they would do more for the children of the State, but would they not be doing less for their own?

Mr. Hatter. No, they would not. One example I was about to give——

Mr. Quie. Will you go into that?

You spend less by equalization?

Mr. Hatter. Not if you raise the levy.

For example, if the people of Beverly Hills also paid $5.38 per hundred as they do in Baldwin Park, then they would still continue at the same level as they are for their own district, and there would be more moneys for the rest of the districts in the State that do not have that kind of money.

Mr. Quie. Then the necessary effect of the *Serrano* decision is to bring everybody up to that level?

Mr. Hatter. It does not say that, but that is one way you could do it.

Mr. Bell. Bring everybody up to the Beverly Hills level?

Mr. Hatter. Hopefully, they could go even above that.

For example, in New York City, they spend more per pupil than they do in Beverly Hills.

I do not submit that Beverly Hills spends enough.

Mr. Bell. I think that is a possible argument, but is it a necessary one?

Mr. Hatter. It is possible. All the court really says is that there has to be a neutrality.

Professor Coons has suggested an equalizing plan, in which the State would set maximum and minimum levels of spending per pupil, and then within those limits, the local districts would be free to decide how much they want to spend.

If this tax raised less than the expenditure permitted for that rate, then the State would supply the difference.

But if it produced an excess, this would be siphoned off for use in poorer districts.

It is not within my province to determine means by which *Serrano*-type decisions shall be implemented.

That is the prerogative of duly elected legislative bodies. However, as an attorney for the poor, I would like to call to your attention several pitfalls which would pose serious problems for my clients.

One of these is the imposition of increased sales taxes.

Many of us have severe reservations about such taxes because they are basically "regressive" and would hurt especially the low- and middle-income groups.

This same reservation is true also of the value-added tax, because it is a percentage tax on a commodity which would ultimately be passed on to the consumer.

Rather. I would tend to agree with those who argue that new revenues should be obtained by eliminating tax loopholes favoring the rich and various special interests.

Representative James C. Corman. Democrat of Los Angeles. has introduced such a reform bill with Representative John E. Moss. Democrat of Sacramento, as cosponsor. which it is estimated would bring in $20 billion a year by closing a variety of loopholes.

Another pitfall which I would hope could be avoided would be the establishment of property taxes so high that poorer communities would be unable to meet them and at the same time provide the other municipal services necessary in their area.

One of these pitfalls is an increase in sales tax. We do have severe reservations about such taxes, because they are basically regressive, and I am not going to debate the 6 or 16 percent factors, because I don't know.

If you just want to look at that, Congressman. You mentioned the fact that most of the property taxes we are talking about, where the poor people are concerned, come from renting and not from actually owning property itself. And that it is often even higher. But you get to the point of many of our clients, brown and black, who live in housing projects that are public, and in a sense their housing is taken care of.

Now, if they had a value-added tax, they would have an additional expenditure, which they had not had before, which I think Congressman Ford has mentioned, so that does have to be considered.

Now, the same reservation is also true of the value-added tax, which is of a regressive nature, and I think that we would tend to agree with those that argue that it is regressive.

Now, Representative Corman from California, as a cosponsor had introduced a reform bill, that is estimated would bring in $20 billion a year by closing tax loopholes.

Mr. Bell. Just for the record, right there: the chairman of the Ways and Means Committee, Wilbur Mills, has stated that ever since he has been chairman of the committee, none of these so-called tax reforms have ever ended up with more money.

It has never happened.

Mr. Hatter. The reason it has not happened is the lack of commitment.

I think if we have a commitment for education, and at the same time, close up these loopholes, that we will have a double effect that will be helpful to the Nation.

I think it is a possibility. However, I did want to mention, that no educational tax scheme should be so high that a poor community does not have remaining tax dollars available for other necessary services. Nor should property taxes be so high that the poor are ultimately taxed out of their homes.

For example, the problem of municipal overburden, which again, when you look at the example of Beverly Hills and Baldwin Park, it is so striking.

Beverly Hills has less need of policemen than communities like Baldwin Park, because of the very nature of the community, and yet they pay less in taxes, and if you are going to make Baldwin Park pay more, and give it less, then it is even more strapped to provide necessities that communities like Beverley Hills have.

Now, in conclusion I would like to mention one of the specters which has been raised by those who are unable to oppose a *Serrano* decision morally, but who object to paying for its consequences. This has been characterized by Professor Coons as the "equal sewer" problem. By this he means, if the Constitution requires equality in education, might it not also require equality in other local services such as fire and sanitation?

In my view, this is not the issue at all. Education is a fundamental right of all our society, and this is the holding in the *Serrano* decision.

Just on that, that education is a fundamental right, you do not run into the problem, and I am sure some of your constituents have already said, "If you go hogwild here, does this mean we have to have equal garbage collections and equal this and equal that?"

This does not seem to be the case.

Just one final comment comes from the U.S. Supreme Court some 19 years ago. And I heard Congressman Ford say "with all deliberate speed."

I hope you move with more deliberate speed. We have been moving with deliberate speed for 19 years now on integration, and I think, if anything, our schools are more segregated today. But perhaps it will be dealt with now with *Serrano*. You should be providing fully for the first time, real equality for educational opportunity. And I think a whole lot of the busing problems will disappear with a rise in spending, and a quality of education being made equal.

However, the Supreme Court did say some 18 years ago, on May 17, 1954, that:

> Today, education is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment. In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the State has undertaken to provide it, is a right which must be made available to all on equal terms.

Thank you.

Mrs. Carey. I would like to add one comment on the Beverly Hills issue. It is not necessary to cut them down immediately. Some of the solutions proposed under *Serrano* would actually take away from the rich right away, reduce their level of spending, but others propose to grandfather them and allow them to spend at their present levels until the other districts catch up.

You cannot get away from the fact, the decision requires that the rich not be allowed to grossly add on to the point where you get the same kinds of disparities we have now.

Mr. Hatter. That is why you gentlemen must act, so you can provide the equalization factor, during the time the State must wrestle with this problem.

As they said, some of the legislatures are dealing with grandfather clauses, but it is important that that gap be taken care of now.

Mr. Ford. If I might, I would just like to ask you, it is easy to get into this, because when we talk about impact, we always talk about Montgomery County, and despite the fact people say Montgomery has the highest per capita income than any other county, and I hope this record does not get so full of Beverly Hills as a typical suburb, we lose sight of what really exists around the industrial cities, centers of this country, where in fact, the greatest deprivation takes place.

I would like to observe, in Wayne County, where the city of Detroit is located, that we become conscious as a result of a lot of things that have been happening, that while most people living in Detroit, most people living in the suburbs, do not believe it either, the fact is a majority of school districts located in that county, there are thirty-five other than Detroit, spend less on children's education in Detroit, pay lower teacher salaries and tax themselves at a higher rate, so it leads us into a trap.

There are four exceptions in the county, except when you take the total scale population of those four exceptions, you apply it to the whole of the county, you get a different picture, and what you have said bears in mind, when you talk about equalization and evaluation, you cannot compare a school district that spends $1,500 on a child and has only five children, and a school district that spends $12,000, and has 50,000 children.

When you talk about equalization, you cannot always balance them one district against the other.

The numbers, the disparity between the cities, of the wealthy districts, is such, that in fact, any time you create the impression that the wealthy districts could make any appreciable difference in the level of education, by sharing their wealth with the less wealthy districts, you are leading to a fiction that has done great disservice to education, because people in so-called poor school districts consistently believe that some scheme that readjusts the present inadequate supply of money from schools would result in equity.

If you took all of the money away from the so-called wealthy ones when you measure their size to the real needs, you discover that is just not the way to do it, so I hope none of you are suggesting that this kind of readjustment be made.

I gather, from what Mr. Bell said, and I would be as defensive about selecting out particular communities in his area, but what I worry about more, regardless of who it is that is selected, it creates the impression that we could do anything to assist American education that we want.

Mr. Bell. For the record, Beverly Hills is not my district.

Mr. Pucinski. On the point you made, as I read your testimony, what you are saying is that if a State or community, or local district wants to spend $1,400 a year per child, and that is what they want, they have got to make arrangements to make sure that every other child gets $1,400 per child?

The decision does not say that you have to go backwards. The decision does not say you have to reduce expenditures, but what the decision says is that once you have set a level of costs for good quality education, you must make that level available to every child in that State.

Am I reading that correctly?

Mr. Hatter. The State must. The state allows one district——

Mr. Pucinski. In my State, we have the expenditure per pupil varying from $319 per child in one community to $2,295 in another community, and the only thing I wonder, if that is in your testimony, is why it took the courts so long to get where we are, because now in retrospect, it looks so patently clear, that there is where the problem in education was.

As I look at these decisions, this is the first significant movement to give some meaning to *Brown* of 1954.

Mr. HATTER. That is correct.

Mr. FORD. Mr. Chairman, it is not new. I heard a lecture over 20 years ago, by someone who spoke in the same manner in which the *Serrano* court spoke, and we heard from many of these people during the Michigan constitutional convention.

The main problem is the legislator who proposed this *Serrano* type first step toward revising the tax structure of any State would not be around for the next election.

Mr. PUCINSKI. That is why we have courts, we have Federal courts and that is why Federal judges are appointed for lifetime appointments.

Mr. QUIE. Will the gentleman yield?

That is the point here, about the center city, actually spending more than many of the suburbs. As I understand *Serrano*, there is no requirement of the State, that they bring them up to the highest level.

There is not even a requirement they come to 80 percent.

This is just a hope that the push will be so strong from those communities that spend a great deal on their children for education, that they will push the rest of the State up. It is still only a hope.

Mr. HATTER. I think it is something more than a hope. It means that the State legislature will have to come up with some sort of formula that provides a neutral principle for the financing of education.

As you say, it does not say you have to go up to a certain level, but once they decided to let a district provide a certain amount, and 55 percent or more comes from property taxes, then the State will have to make up that difference, or come up with some other kind of formula that allows for siphoning off.

Mrs. CAREY. The State has to have a rational basis for having substantial differences.

It could have a disparity between $1,400 and $1,000, between two districts, if they could show there are reasons for doing that, that there are more exceptional children, more handicapped children, teachers' salaries were high and so on.

Mr. HATTER. The cost of living is different in Los Angeles.

Mrs. CAREY. But to date, the amount spent was set by the property wealth of the district.

Mr. QUIE. There could also be a reasonable difference in the fact that you need a grandfather clause to let the higher districts stay up there, and I assume the possibilities are there, that a grandfather clause could be used.

The last thing I would like to make a comment on is that the center city which seems to have so much trouble may find itself at the point where you are trying to bring so many of the rural and the suburban districts up to the richer districts, that they may be all brought down.

Mr. HATTER. Certainly without more commitment of dollars, yes. We do not have enough in education now.

Mr. PUCINSKI. I wonder if we could get to our other witnesses, and then we can ask other questions.

Mrs. CAREY. I think we covered some of the other cases, but the next speaker is Roger Haydock, from legal assistance of Ramsey County, St. Paul, Minn.

Mr. PUCINSKI. Mr. Haydock, your prepared statement will be inserted in the record at this point.

(The statement referred to follows:)

STATEMENT OF ROGER S. HAYDOCK, CHIEF COUNSEL, LEGAL ASSISTANCE OF RAMSEY COUNTY, INC. ST. PAUL, MINN.

INTRODUCTION

On October 1, 1971, a class of school children in the State of Minnesota filed an action in federal court in Minnesota challenging the constitutionality of the Minnesota public school financing system. Represented by Roger S. Haydock, Dolores C. Orey, Michael A. Wolff, and John E. Branch, attorneys with Legal Assistance of Ramsey County, Inc., a legal services program, the school children sought declaratory relief that the existing Minnesota school financing system for secondary and elementary schools deprived them of equal protection of the laws in that the financing system based the amount of money spent per child for education upon the wealth of the child's local school district. The plaintiff children who lived in a poor school district (a district with a low assessed property valuation) complained of receiving an inferior education measured by the dollar expenditure per pupil compared to the superior education reflected by a higher dollar expenditure per pupil afforded those children who lived in rich school districts (districts with high assessed property valuation). The class of plaintiff children posed the issue: Whether pupils in publicly financed elementary and secondary schools enjoy a right under the equal protection clause of the Fourteenth Amendment to have the level of spending for their education unaffected by variations in the taxable wealth of their school district or their parents. On October 12, 1971, the district court for Minnesota by Judge Miles W. Lord concluded that indeed such a right exists and adopted the constitutional rule formulated by the California Supreme Court in *Serrano v. Priest* that the level of spending for a child's education may not be a function of wealth other than the wealth of the state as a whole (the principle of fiscal neutrality). This decision represented the first federal court decision in this country recognizing the constitutional right of school children to an education not dependent on the wealth of their school district or residence. Subsequently, on October 30, 1971, the Legislature of the State of Minnesota enacted a revised public elementary and secondary school financing plan greatly increasing state aid to local districts and reducing the need of school districts to rely on widely variant property taxes as a source for school revenue.

PUBLIC SCHOOL FINANCING IN MINNESOTA PRIOR TO OCTOBER 1971

The Minnesota system for financing public elementary and secondary schools relied nearly exclusively on two principal sources of revenue: local property taxes and state foundation aids. On a statewide basis, the foundation aid program (coupled with the requisite local effort necessary to receive such state aid) guaranteed to local school districts a maximum equalization grant of $404 per pupil unit. But the average spending per pupil unit by school districts surpassed $636 in 1969–1970. Such expenditures ranged from a low of $370 per pupil unit in some school districts to over $903 in other school districts. Because of the failure of the state foundation aid program to equalize educational funding, local school districts had to rely on property taxes to raise the balance needed for school revenue. Quite obviously, richer districts (with high assessed property) collected relatively more for each additional tax mill levied while poorer school districts (with low assessed property) received relatively less for taxing at the same or a substantially higher mill rate. Consequently, poorer school districts had to tax themselves at a much higher mill rate than rich school districts to raise needed revenue. For less local effort, rich school districts raised more money while poor school districts struggled to raise insufficient money to operate their schools.

This system for financing schools discriminated in favor of wealthy school districts and against poor ones. Above a guaranteed minimum level of spending, the financing formula invited rich school districts to tax and raise money in a manner closed to the poor school districts. Such poor school districts did not have the sufficient rich property base to raise revenue, though they taxed themselves to the hilt. The several charts included in Appendix I herein indicate quite clearly the results of such discrimination. While rich school districts taxed less and raised more, poor school districts taxed at a high rate and raised less money. Consequently, the children residing in the poor school districts received an inferior education measured by the dollar expenditure per pupil.

The evil in such system was clearly the state's reliance upon school districts of unequal wealth and ability to carry out the uniform responsibility of running public schools. School spending was tied directly to the accident of the local property tax base. What amount was spent per pupil depended upon where he or she lived and the wealth of such surrounding property. This system insured that regardless of how committed poorer school districts were to education and regardless of how heavy they taxed themselves, richer school districts could always provide costlier schooling despite far lower tax effort by their residents. Poor school districts had less money to spend but taxed at a higher rate; rich school districts had an abundance to spend and taxed at a low rate. This result created and fostered by the school financing system discriminated against poor school districts and against children living and going to school in those districts.

VAN DUSARTZ ET AL. HATFIELD 334 F. SUPP. 870 (D. MINN. 1971)

Judge Miles W. Lord analyzed the Minnesota school financing system in his opinion and declared that the plaintiff school children properly asserted their constitutional right to an education not based upon wealth of their respective school districts.

PUBLIC SCHOOL FINANCING IN MINNESOTA AFTER OCTOBER 1971

Several weeks after the court decision, the Minnesota Legislature enacted a tax plan and revised public school financing formulas. The Federal court's opinion against the existing system had a signigcant influence on those members of the Legislature who opposed one proposed state aid formula bill which equalized funding. The court decision helped to end a several month stalemate on a school aid bill and bring about the passage of the equalized funding school financing bill.

The new financing system remains a complicated maze of mathematical computations and complex aid formulas. On its face, the plan calls for the state to provide equalized foundation aid of $600 per pupil unit during the 1971–1972 school year and $750 per pupil unit during the 1972–1973 school year. Thus, the plan appears to guarantee a maximum equalized grant of $600 this year and $750 next year per pupil unit. The plan increases state aid 50% this year (from $404 equalizing grant) and over 80% for next year. Consequently, school districts will have to rely less on property taxes as revenue for school expenditures. In effect, the bulk of school expenditures will be provided by the state while local school districts will have to make up any differences through property taxes. Part of the new financing plan puts a maximum on the allowable mill rate to be assessed by school districts to limit reliance on property taxes and provide some tax relief to property taxpayers. in addition, other features of the bill funnel additional state aid to school districts through special aid formulas based on the school district's number of children who come from families receiving public assistance or who are handicapped. Other miscellaneous programs also channel supplemental aid to school districts. A copy of the full plan appears in Appendix II.

Some proponents of the bill feel quite strongly that the newly enacted system will remedy the discriminatory effects of the old system. But until the facts and figures come in and are analyzed, no one knows for certain now how far the bill will go in actually equalizing funding. The estimated average cost of providing an adequate education to a school child for this school year runs over $750; yet the state provides only a $600 maximum equalization grant. Whether poorer school districts will be able to raise the $150 or more difference (through special state aid programs) or have the local choice-opportunity to raise such money (through property taxes) remains to be seen. In any event, while children in poor school districts may not yet receive an education based upon fiscal neutrality, at least this year such children will receive a far better education (measured by dollar expenditure) than they have for many years past.

APPENDIX I. RESULTS OF SCHOOL FINANCING DISCRIMINATION

Name	No.	Equalized assessed valuation per ADA pupil unit (1966 EARC) [1]	Maintenance expenditure per ADA pupil unit (1969 70) [2]	Number of ADA pupil units (1969 70) [3]	Local property tax contribution to maintenance expenditure per ADA pupil unit (1969) [4]	Equalized assessed valuation per ADA pupil unit (1969) [5]	Actual mill rate, 1969 70 (unequalized) [6]	Equalized school mill rate for 1969-70 (1969 EARC value) [7]
10 richest Minnesota districts: [8]								
Frost	220	$19,322	$752	286	$653	$21,657	136.3	30.1
Sioux Valley	328	13,827	814	233	522	19,681	114.4	26.5
Fisher	600	18,799	652	372	462	19,163	118.2	24.1
Amboy-Gd. Thunder	79	18,669	595	NA	NA	NA	117.1	NA
Comfrey	81	18,536	525	444	337	19,238	91.2	17.5
Humboldt	352	18,303	889	198	1,046	30,236	134.1	34.6
Kennedy	354	18,252	673	352	603	22,577	125.5	26.7
Borup	522	18,022	794	221	635	22,076	149.1	28.8
Edgerton	581	17,950	643	397	512	21,236	120.6	24.1
Delewan	218	17,367	609	395	444	18,894	127.1	23.5
Mean of 10 richest			695				125.66	
Cf. White Bear Lake, plaintiffs' residence		4,277	655	11,762	358	5,281	248.9	67.8
10 poorest Minnesota districts: [8]								
So. Kooch. R. Rv	363	2,321	674	1,585	187	854	347.8	218.9
Centennial	12	2,325	737	3,690	172	3,178	154.6	54.1
Hill City	2	2,536	551	338	144	3,280	176.6	43.9
Askov	566	2,594	660	375	148	3,399	244.1	43.5
Barnum	91	2,643	530	854	196	2,783	322.2	70.4
Little Fork	362	2,734	578	662	83	2,853	162.1	29.3
McGregor	483	2,737	482	476	152	2,758	186.4	55.1
Dilworth	147	2,798	542	808	113	2,559	206.4	44.2
Blackduck	32	2,860	493	888	105	2,968	237.0	35.4
Cromwell	95	2,943	613	417	118	2,960	209.3	39.9
Mean of 10 poorest			586				224.0	
Cf. White Bear Lake, plaintiffs' residence		4,277	655	11,762	358	5,281	248.9	67.8
10 random Minnesota districts: [8]								
Climax	592	15,332	634	262	600	16,833	154.5	35.6
Karlstad	353	6,066	565	609	361	8,310	159.8	43.4
Houston	294	5,291	521	737	172	6,019	128.6	28.6
Pipestone	583	8,245	623	2,598	422	8,347	178.7	50.6
Wanamingo	258	8,582	724	575	425	9,130	204.1	46.6
Forest Lake	831	5,545	536	4,555	298	6,679	219.4	44.6
Welcome	459	14,103	575	457	481	15,730	142.3	33.6
Dawson	378	9,418	643	1,149	410	11,238	147.8	36.5
Edgerton	581	17,950	643	397	512	21,235	120.6	24.1
Buffalo	877	5,966	482	2,035	340	6,700	155.7	50.7

APPENDIX I.—RESULTS OF SCHOOL FINANCING DISCRIMINATION—Continued

Name	No.	Equalized assessed valuation per ADA pupil unit (1966 EARC) [1]	Maintenance expenditure per ADA pupil unit (1969-70) [2]	Number of ADA pupil units (1969-70) [3]	Local property tax contribution to maintenance expenditure per ADA pupil unit (1969) [4]	Equalized assessed valuation per ADA pupil unit (1969) [5]	Actual mill rate, 1969-70 (unequalized) [6]	Equalized school mill rate for 1969-70 (1969 EARC value) [7]
20 largest Minnesota districts measured by ADA pupil units: [8]								
Minneapolis	Sp. 1	$15,700	$715	73,001	$598	$16,528	120.1	36.2
St. Paul	625	13,850	671	53,387	459	14,599	129.8	31.4
Robbindale	281	5,253	620	31,222	965	7,560	160.1	12.8
Anoka	11	3,736	536	28,347	287	4,721	179.7	60.8
Bloomington	271	5,597	614	28,296	365	8,698	166.8	42.0
Duluth	709	6,858	584	24,856	298	7,599	157.4	39.2
Rochester	535	10,883	694	18,388	186	11,749	180.3	15.8
Roseville	623	7,455	729	14,566	527	9,341	182.9	55.4
Osseo	279	3,683	573	14,015	278	5,170	157.2	53.8
Mounds View	621	5,753	668	14,384	417	7,200	196.1	57.9
Edina	273	9,472	734	13,023	670	13,390	126.3	50.0
North St. Paul	622	5,552	638	12,780	424	7,599	192.5	55.8
Richfield	280	8,148	737	12,381	609	9,927	191.5	61.3
Hopkins	274	9,265	781	12,224	797	11,132	172.0	71.6
St. Louis Park	283	9,785	817	12,051	770	12,967	176.0	59.4
White Bear Lake	624	4,277	655	11,762	353	5,281	248.9	67.8
St. Cloud	742	6,323	554	11,318	320	6,884	181.8	46.5
St. Paul Park	833	5,130	600	9,773	322	6,045	211.6	53.3
Minnetonka	276	6,363	750	9,247	554	8,419	198.0	65.8
Austin	492	6,945	669	8,899	426	6,557	190.5	65.0

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[1] See footnote (1), (b), and (c) for explanation of what ADA pupil unit and 1966 EARC figures are. 1966 EARC Equalized Assessed Valuation figures are drawn from: State of Minnesota, Department of Education, State Aids, Statistics and Research. Selected Data for Districts Maintaining Elementary and Secondary Schools, Year Ending 1969, in evidence as exhibit D.

[2] Maintenance expenditure is all expenditure apart from capital expenditure and debt service for capital expenditure. It includes teachers' salaries, books, insurance, etc. Figures are drawn from report cited in footnote (2). 1969-70 maintenance expenditures are computed on 1966 EARC valuations when State aids are determined. Our tables are therefore consistent with State practice.

[3] Figures from report cited in footnote (2).

[4] Figures are from: State of Minnesota, Department of Education, State Aids, Statistics and Research, School Tax Report 1969 County by County, in evidence as exhibit E. Figures are for 1969 calendar year.

[5] The 1969 EARC valuation per ADA pupil unit is used as the most recent uniform measurement of the actual wealth of the district. It excludes exempt property. It is obtained from the Governor's Proposed State Aid Formula, in evidence as exhibit F.

[6] Actual mill rates are unequalized; that is, assessment practices vary widely from district to district and mill rates are on these unequalized nonuniform assessments.

[7] The equalized mill rate is constructed in order to take into account the varying assessment practices. It is computed by determining the ratio of the contribution of the local district to the equalized assessed valuation and expressing this in terms of mills. This gives a mill rate which can be compared district to district, because the varying assessment practices are eliminated. It therefore measures in meaningful terms the effort of a district in terms of its true wealth.

[8] (a) "10 richest" is defined as the 10 school districts with the highest assessed valuation per ADA pupil unit according to 1966 EARC figures. "10 poorest" is defined as the 10 school districts with the lowest assessed valuation per ADA pupil unit according to 1966 EARC figures. The very poorest districts, which are elementary only, have been excluded. These are Vineland No. 478, Nett Lake No. 707, Red Lake No. 38, Shevlin No. 163, Naytahwaush No. 433, Lakewood No. 702, and Minerva No. 159. "10 random" is defined as 10 districts which were randomly selected by using table of random numbers. (b) ADA pupil units are numbers of pupils determined by average daily attendance rather than membership, and weighted for the kind of pupil unit to take into account differing costs of educating different kinds of pupils. Thus 1 elementary pupil equals 1 unit, 1 high school student equals 1.4 units, and a handicapped child equals 2 units. This is the basis on which State aid is in fact computed. M.S.A. sec. 124.17. (c) EARC figures are those arrived at by the Equalization Assessments Review Committee. M.S.A. sec. 124.211. This committee has been set up because of the nonuniformity of assessment practices in the various school districts. Its function is to arrive at equalized figures so that people in different districts with property of the same actual value do not pay different taxes because of the varying assessment practices. This committee arrives at equalized figures (called EARC figures) which are used in computing State aids. The year 1966 is chosen because 1966 EARC figures are used in computing 1969-70 school year aids. See M.S.A. sec. 124.211.

[9] Rounded to next higher figure.

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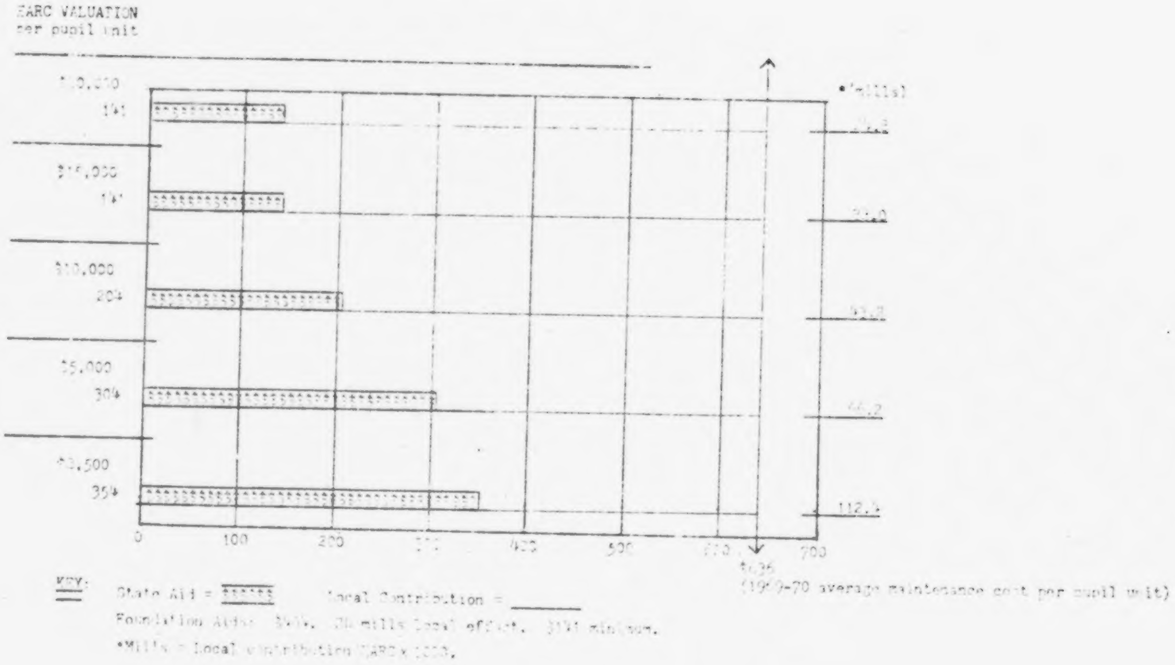

Foundation Aid: [illegible] 28 mills local effort. 13% minimum.

*Mills = Local contribution/EARC x 1000.

Section 1. Minnesota Statutes 1969, Section 124.04, is amended to read:

124.04 Capital expenditure taxing authority

In addition to the tax levy prescribed by law for general and special school purposes, the board of any district may levy annually an amount equal to eight mills on each dollar of assessed valuation of the taxable property in the district as adjusted for the preceding year by the equalization aid review committee notwithstanding the provisions of section 272.64 and 275.49, provided that said levy may not exceed by more than two mills the levy under this section in the previous year. The tax so levied shall be collected in the manner provided by law for the collection of other school taxes. The proceeds of the tax may be used only to acquire, improve and repair school sites and to erect, equip, repair and improve buildings and permanent attached fixtures, and the board may establish a fund in which the proceeds of this tax may be accumulated until expended by the board.

The proceeds of the tax shall not be used for custodial services.

Sec. 2. Minnesota Statutes 1969, Section 124.17, as amended by Laws 1971, Chapter 829, Section 1, is amended to read:

124.17 Definition of pupil units

Subdivision 1. Pupil units for each resident pupil in average daily membership shall be counted as follows:

(1) In an elementary school, for kindergarten and for handicapped pre-kindergarten pupils as defined in Minnesota Statutes, Section 120.03, and enrolled in one-half day sessions throughout the school year or the equivalent thereof, approved by the commissioner of education, one-half pupil unit and other elementary pupils, one pupil unit.

(2) In secondary schools, pupils in junior high school or a six-year school and all other pupils in secondary schools, one and four-tenths pupil units. Pupils enrolled in the seventh and eighth grades of a middle school shall be counted as secondary pupils.

(3) In area vocational-technical schools one and one-half pupil units.

(4) To meet the problems of educational overburden caused by broken homes, poverty and low income, each pupil from families receiving aid to families with dependent children or its successor program shall be counted as an additional five-tenths pupil unit. The department of public welfare is directed to furnish to the department of education that information concerning children from families with dependent children which is necessary to calculate pupil units. Additional aids to a district for such pupils may be distributed on a delayed basis until the department of education publicly certifies that the information needed for paying such aids is available on such a timely basis that such aids may be paid concurrently with other foundation aids.

(5) Where the total pupil units of a district are used as a multiplier in determining foundation aids and spending and levy limitations and where the actual number of pupil units has decreased from the prior year, the number of pupil units for such district shall equal the average of actual pupil units for the prior and current years. This adjustment shall not be made in computing adjusted maintenance cost per pupil unit.

Subd. 2. Membership shall mean the number of pupils on the current roll of the school, counted from the date of entry until withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves the school or the date it is officially known that the pupil has left or has been legally excused; provided that any pupil who has been absent from school without a legally justifiable excuse for 15 consecutive school days shall be dropped from the roll and classified as withdrawn. Nothing in this act shall be construed as waiving the compulsory attendance provisions cited in Minnesota Statutes, Section 120.10. Average daily membership shall equal the sum for all pupils of the number of days of the school year each pupil is enrolled in the district's schools divided by the number of days said schools are in session. For districts operating 12 months schools, days schools are in session shall mean the number of session day required by Minnesota Statutes, Section 124.19, Subdivision 1. The average daily membership of a pupil enrolled on a shared time basis shall equal the ratio of the total minutes for which such pupil is enrolled and the minimum minutes required during the year for a regularly enrolled public school pupil. Foundation aid for each pupil in such shared time classes shall be paid at a rate proportionate to aid paid for other resident pupils of the district providing instruction. A district shall not be entitled to transportation aid under Minnesota Statutes, Section 124.22 for pupils enrolled on a shared time basis unless the statutes specifically provide for transportation aid to such student.

Subd. 3. In computing pupil units for a prior year, the number of pupil units shall be adjusted to reflect any change for the current year in relative weightings by grade level or category of special assistance and any change in measurement from average daily attendance to average daily membership, but not for the addition for the first time in the current year of a specified category of special assistance as provided in subdivision 1, clause (4).

Sec. 3. Minnesota Statutes 1969, Chapter 124, is amended by adding a section to read:

124.212 Foundation aid

Subdivision 1. The foundation aid program for school districts for fiscal years 1972 and 1973 shall be governed by the terms and provisions of this section.

Subd. 2. Except as may otherwise be provided in this section, the following words and phrases when used in this section shall have the meanings herein ascribed to them.

(1) "Adjusted maintenance cost" means the state and local current expense for pupils in elementary and secondary schools, exclusive of transportation, veterans training program, community services, and after reduction for receipts from the sale of other items sold to the individual pupil by the school such as lunches, paper, workbooks, and other materials used in the instructional program, and after reduction for receipts from quasi-school activities when the school board has assumed direction and control of same. For purposes of determining the adjusted maintenance costs, the state department of education shall use only figures from the annual financial reports of the districts for the prior year and any supplementary documents received by it on or before August 1 of the current year, (November 1, in 1971 only). For any district which has not transmitted to the department of education before August 1, (November 1, in 1971 only) its annual financial report for the prior year, the figures from the most recent financial report of that district received on or before August 1, (November 1, in 1971 only) shall be used for purposes of calculating its certified levy and foundation aid. In calculating the adjusted maintenance cost in 1970-1971, a district may include for calculating its certified levy and foundation aid under this article salaries paid in the 1971-1972 school year which are for services rendered in 1970-1971.

(2) "Adjusted assessed valuation" shall mean the assessed valuation of the taxable property notwithstanding the provisions of Minnesota Statutes, Section 275.49 of the school district as adjusted by the equalizaiton aid review committee.

Subd. 3. Notwithstanding any of the other provisions of this section, for the year ending June 30, 1972, the sum of foundation aid, sales tax per capita payments pursuant to sections 297A.55 and 297A.57, exempt personal property replacement payments pursuants to section 273.69 and state payments of agricultural property mill rate differential shall not be less than the sum of the payments from the same sources for the year ending June 30, 1971. For the year ending June 30, 1973, the sum of the payments from the same sources shall not be less than the sum of the payments from those sources for the year ending June 30, 1971, or June 30, 1972, whichever is higher.

Subd. 4. Notwithstanding any of the other provisions of this section, foundation aids computed under subdivisions 6 and 7 of this section shall be reduced by the amount of moneys received by the district from the permanent school fund and shall be further reduced by the amount of sales tax per capita payments made to the district pursuant to sections 297A.57 and 297A.55.

Subd. 5. In no event shall the amount payable to any district from state sources for any one year be reduced below the amount payable as apportionment of the school endowment fund pursuant to sections 124.08 to 124.10.

Subd. 6. For the 1971-1972 school year each district shall receive foundation aid in the amount of $600 per pupil unit, less 30 mills times the 1970 adjusted assessed valuation of the district, provided that no district shall receive less than $215 per pupil unit, for pupil units other than those defined in Minnesota Statutes, Section 124.17, Subdivision 1, Clause (4), and less than $600 per pupil unit defined in Minnesota Statutes, Section 124.17, Subdivision 1, Clause (4).

Subd. 7. For the 1972–1973 school year each district shall receive foundation aid in the amount of $750 per pupil unit, less 30 mills times the 1970 adjusted assessed valuation of the district, provided that:

(1) Any district whose 1970–1971 adjusted maintenance cost per pupil unit in average daily membership is $662 or below shall receive aid on the following basis: The sum of the 1970–1971 adjusted maintenance cost per pupil unit in average daily membership and $87 per pupil unit in average daily membership less the product of the following serial multiplication: 30 mills times the ratio of the sum of the 1970–1971 adjusted maintenance cost per pupil unit in average daily membership and $87 per pupil unit in average daily membership divided by $750 times the 1970 adjusted assessed valuation of the district;

(2) And provided further that no district shall receive less than $215 per pupil unit for pupil units other than those defined in Minnesota Statutes, Section 124.17, Subdivision 1, Clause (4), and less than $750 per pupil unit defined in Minnesota Statutes, Section 124.17, Subdivision 1, Clause (4).

Subd. 8. Notwithstanding any provisions of any other law to the contrary, the 1970 adjusted assessed valuation used in calculating foundation aid for the 1971–1972 and 1972–1973 school years shall include only that property which is currently taxed in the district. For districts receiving payments under sections 298.23 to 298.28, 298.32, 298.34 to 298.39, 298.391 to 298.396, 298.405, 298.51 to 298.67, 294.21 to 294.28 and 124.28 or under any other law distributing proceeds of in lieu of ad valorem tax assessments on copper or nickel properties, the foundation aid shall be reduced by 20 percent of the previous year's payments to the district pursuant to said sections in the 1971–1972 school year, 30 percent in 1972–1973 school year, and thereafter there shall be deducted from state foundation aids an amount that equals the following calculations:

The previous year's payments times the ratio of the maixmum levy allowed the district under section 275.125, subdivision 2 to the total levy allowed by section 275.125. For any district which receives any other state grants, refunds or aids not available to each and every school district and designed to compensate for nontaxable valuation, except for aids under Minnesota Statutes, Section 124.801, the foundation aid for the 1971–1972 and 1972–1973 school years shall be reduced by 10 percent of the previous year's payments to the district of such additional aids. Thereafter there shall be deducted from state foundation aids an amount that equals the following calculations:

The previous year's payment times the ratio of the maximum levy allowed the district under section 275.125, subdivision 2 to the total levy allowed by section 275.125.

Subd. 9. Any district not maintaining classified elementary or secondary schools shall pay the tuition required in order to enable resident pupils to attend school in another district when necessary, and shall receive foundation aid pursuant to this section on the same basis as other districts. The aid shall be computed as if the pupils were enrolled in the district of residence.

Subd. 10. The equalization aid review committee, consisting of the commissioner of education, the commissioner of administration, and the commissioner of taxation, is hereby continued and permanently established. The duty of this committee shall be to review the assessed valuation of the districts of the state. When such reviews disclose reasonable evidence that the assessed valuation of any district furnished by any county auditor is not based upon the market value of taxable property in such district, then said committee shall call upon the department of taxation to ascertain the market value of such property, and adjust such values as required by law to determine the adjusted assessed valuation. The department of taxation shall take such steps as it may consider necessary in the performance of that duty and may incur such expense as is necessary therefor. The commissioner of taxation is authorized to reimburse any county or governmental official for services performed at his request in ascertaining such adjusted valuation. On or before May 15, annually, the department of taxation shall submit its report on the assessed values established by the previous year's assessment to said committee for approval or rejection and, if approved, such report shall be filed not later than the following July 1 with the commissioner of education and each county auditor for those school districts for which he has the responsibility for determination of mill rates. A copy of the adjusted assessed value so filed shall be forthwith mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which such district is located.

Subd. 11. (a) The committee shall not increase the adjusted assessed valuation, exclusive of property valuation added, improved, reclassified, or reassessed since the prior assessment; of taxable property for 1962 or any subsequent year in any school district by more than eight percent over the certified valuation established for the year immediately preceding.

(b) Whenever the adjusted assessed valuation of any district is more than eight percent less than the adjusted assessed valuation of the preceding year, the state board of education may, upon applications by the district prior to June 30 of such school year, authorize payment of additional foundation aid in the August adjustment following such school year in the amount of 30 mills times the difference in the said two successive adjusted assessed valuations.

(c) The sales ratio studies, or any part thereof, or any copy of the same, or records accumulated in preparation thereof, which are prepared by the commissioner of taxation for the equalization aid review committee for use in determining school aids pursuant to this section shall not be admissible in evidence in any proceeding, except actions for review of the determination of the school aids payable under this section.

Subd. 12. Should any district within 60 days after receipt of a copy of a report filed with the commissioner of education made pursuant to subdivision 11, or notice of redetermination made pursuant to subdivision 12, be of the opinion that the equalization aid review committee has made an error in the determination of the school district's market value, it may appeal from the report or portion thereof relating to the school district to the tax court, as provided in subdivisions 14 to 19.

Subd. 13. The school district shall file with the clerk of the tax court a notice of appeal from the determination of the equalization aid review committee fixing the market value of the school district, and such notice shall show the basis of the alleged error. A copy of such notice of appeal shall be served upon the commissioners of taxation and education, and proof of service shall be filed with the clerk of court.

Subd. 14. Upon receipt of the notice of appeal the tax court shall review the notice of appeal and determine whether it appears from the allegations and proofs therein contained that an error has been made in the determination by the equalization aid review committee of the market value of the property in the school district. If the court finds it probable that such an error has been made, it shall notice the matter for hearing; otherwise, it shall dismiss the appeal and notify the parties thereof. Hearing shall be set and held in the same manner as other hearings of the tax court are set and heard. The attorney general shall represent the commissioners of taxation and education and equalization aid review committee; the administrative procedure act, sections 15.0415 to 15.0422, shall apply to hearings insofar as it is applicable.

Subd. 15. The tax court shall hear, consider and determine such appeal, de novo upon the issues made by the notice of appeal, if a hearing has been granted thereon. At the conclusion of the hearing the court shall (1) file findings of fact, or (2) re-refer the issues to the equalization aid review committee with instructions and recommendations for a determination and correction of the market value of the appealing school district. The decision of the tax court, if it decides the matter de novo, shall have the same force and effect as a determination by the equalization and review committee in the first instance under this section, and the equalization aid review committee shall be notified thereof. If the matter is re-referred to the equalization aid review committee a redetermination by the equalization aid review committee in accordance with the recommendations of the tax court shall likewise have the same force and effect as a determination by it in the first instance under this section.

Subd. 16. In addition to the powers and duties of the tax court as prescribed by chapter 271, and any act amendatory thereof, any hearing ordered pursuant to the provisions hereunder may be heard by a hearing examiner in lieu of one or more members of the tax court. If a hearing is conducted by a hearing examiner, such hearing examiner shall exercise the same powers conferred by law upon one or more members of the tax court. He shall report to the court. The court is authorized to make findings of fact based on the report of the hearing examiner in the same manner as is required by these provisions when the hearing is conducted by the court. The tax court may employ hearing examiners upon such terms and conditions as it shall prescribe. A hearing examiner so appointed shall be in the unclassified service of the state.

Subd. 17. A decision of the tax court pursuant to the terms hereof shall be final and shall not be subject to review by any court, except upon certiorari to the supreme court.

Subd. 18. During the pendency of any appeal from an equalization aid review committee evaluation, state aids to the district so appealing shall be paid on the basis of the evaluation subject to adjustment upon final determination of the appeal.

Subd. 19. None of the provisions of chapter 16..shall apply to appropriations enacted to carry out the provisions of this section.

Sec. 4. Minnesota Statutes 1969, Section 124.11, is amended to read:

124.11 Dates of aid payments

Ten percent of the estimated foundation aids shall be paid to districts in each of the months from September, through May based upon information available and the final distribution shall be made in the following August, except that in the school year 1971-1972 payments shall commence in November or as soon thereafter as possible with the payment of 13 percent of the estimated foundation aids each month through May. Final distribution shall be made in the following August. If any school district is unable to borrow necessary funds for the operation of its facilities during any fiscal year, due to legal borrowing restricts or the lacks of reasonable credit facilities, the state auditor and state treasurer may, upon certification of such conditions by the commissioner of administration, advance such education aids as may be required to such district, with the condition that such aids be discounted by an amount equal to 6 percent or the current yield on U.S. treasury bills on the date of such payment to a maturity approximating the date on which aids are to be paid, whichever rate is higher, pursuant to the terms of this section. The amount of such discount shall be determined by the state auditor, with the 6 percent discount or the "bid" price quoted on treasury bills of an appropriate maturity calculated after consultation with the staff of the state board of investment.

Estimated foundation aids shall be paid out on the basis of the prior year's pupil unit enrollment unless the October 1 enrollment is larger, in which case the October enrollment shall be used. Adjstment for final pupil unit figures shall be made in the August payment of aids.

Sec. 5. Minnesota Statutes 1969, Section 124.215, is amended by adding a subdivision to read:

Subd. 2a. In addition to regular foundation aid payments, there shall be paid from the appropriation for foundation aid to any district whose schools are attended by children residing upon nontaxable land under the control of the armed forces of the United States, an amount equal to the number of pupil units represented by such children times the dollar amount derived by dividing the total levy of the district as spread upon the property of the district by the number of its other resident pupil units in average daily membership.

Sec. 6. Minnesota Statutes 1969, Section 124.22, Subdivision 3, as amended by Laws 1971, Chapter 890, Section 2, is amended to read:

Subd. 3. In a district or unorganized territory without a secondary school resident pupils including seventh and eighth grade pupils may attend a classified secondary school in another district and shall receive board and lodging in or transportation to a district having a classified secondary school at the expense of the district of the pupil's residence. The state will reimburse the county or school district therefor not to exceed $80 per pupil per year nor to exceed 80 percent of the total cost including actual depreciation.

Sec. 7. Minnesota Statutes 1969, Section 273.41, is amended to read:

273.41 Amount of tax; distribution

There is hereby imposed upon each such cooperative association on December 31 of each year a tax of $10 for each 100 members, or fraction thereof, of such association. The tax, when paid, shall be in lieu of all personal property taxes, state, county, or local, upon distribution lines and the attachments and appurtenances thereto of such associations located in rural areas. The tax shall be payable on or before March 1 of the next succeeding year, to the commissioner of taxation. If the tax, or any portion thereof, is not paid within the time herein specified for the payment thereof, there shall be added thereto a specific penalty equal to five percent of the amount so remaining unpaid. Such penalty shall be collected as part of said tax, and the amount of said tax not timely paid, together with said penalty, shall bear interest at the rate of four percent per annum from the time such tax should have been paid until paid. The commissioner shall retain five percent of the proceeds of such tax, penalty and interest for expenses of administration and shall distribute the balance thereof, on or before July 1 of each year to the treasurers of the respective counties of the state in proportion to the number of members of such associations in the several counties as of December 31 of the preceding year, as determined by reports of such associations made and verified in such manner and on such forms as may be prescribed by the commissioner of taxation. The moneys so distributed to the respective counties shall be credited by the treasurers thereof to the general revenue fund of the county.

There is hereby appropriated to the counties entitled to such payment, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make such payment as is authorized herein.

Sec. 8. Minnesota Statutes 1969, Chapter 275, is amended by adding a section to read:

275.125 Tax levy, school districts

Subdivision 1. Except as may otherwise be provided in this section, the words and phrases defined in section 124.212 when used in this section shall have the meanings ascribed to them in section 124.212.

Subd. 2. Except as otherwise provided in this section, each school district in the state shall levy a tax for all general and special school purposes which will yield not more than an amount equal to 30 mills times the adjusted assessed valuation of the district for the year prior to the year in which the levy is made. This prescribed levy is subject to the following exceptions:

(1) Any district whose foundation aid for the 1972–1973 school year will be computed pursuant to section 124.212, subdivision 7, clause (1), shall levy in 1971, for collection in 1972, a tax which will yield not more than an amount equal to the product of the following serial multiplication: 30 mills times the ratio of the sum of the district's 1970–1971 adjusted maintenance cost per pupil unit in average daily membership and $87 per pupil unit in average daily membership divided by $750 times the 1970 adjusted assessed valuation of the district.

(2) Any district whose foundation aid for the 1972–1793 school year is computed pursuant to section 124.212, subdivision 7, clause (1), shall have a 1972 levy, collectible in 1973 not more than the amount equal to the product of the following serial multiplication: 30 mills times the ratio of the sum of the 1970–1971 adjusted maintenance cost per pupil unit in average daily membership and $125 per pupil unit in average daily membership divided by $750 times the 1971 adjusted assessed valuation of the district, provided that the product may not exceed 30 mills times the 1971 adjusted assessed valuation of the district.

(3) The levy prescribed by this subdivision may be increased in any amount which is approved by the voters of the district in a referendum called for that purpose. Such a referendum may be called only by the school board. The referendum may be held on the date set for the election of members to the school board, or on the equivalent date in any year in which there is no such election, or between September 1 and September 20. In 1971 a school board may call a referendum not later than December 15 in order to establish an additional levy collectible in 1972. The question on the ballot shall be whether a specific millage may be added to that allowed by this subdivision. If approved, the additional millage shall be allowed each year until and including the 1972 levy, collectible in 1973, or until revoked by the voters of the district at a subsequent referendum, which may be called by the school board and which shall be called by the school board upon the written petition of 5 percent of the qualified voters of the district. A referendum to revoke the additional millage shall be held only on the date set for the election of members to the school board, or on the equivalent date in any year in which there is no such election. Notwithstanding any statute to the contrary, it shall require approval of 50 percent plus one of those voting on the question to pass a referendum.

Subd. 3. In addition to the levy prescribed by subdivision 2, each district may levy additional amounts as follows:

(1) The amounts necessary to make payments for bonds issued and for interest thereon, and for repayment of debt service loans and capital loans, the amount authorized for capital outlay pursuant to Minnesota Statutes, Section 124.04 and the amount authorized for liabilities of dissolved districts pursuant to Minnesota Statutes, Section 122.45.

(2) An amount necessary to pay the estimated actual transportation costs of the district for the following school year less estimated state transportation

reimbursement for the current year. The money raised by this additional levy
may be used only for costs incurred in transportation which is partially
reimbursable under Minnesota Statutes, Sections 124.22 and 124.32.

(3) For purposes of the 1971 levy, collectible in 1972, any district, in which
the sum of $87 per pupil unit in average daily membership and the difference
between the reimbursement entitlement per pupil unit in average daily mem-
bership for 1970–1971 school year programs for handicapped children
and the 1970–1971 adjusted maintenance cost per pupil unit in average daily
membership is greater than $750 per pupil unit, may levy an amount per pupil
unit which is equal to or less than the difference between said sum and $750
per pupil unit. A district which is located in a city of the first class may not
qualify for an additional levy that exceeds 1.5 mills times the adjusted assessed
valuation of the district.

(4) For purposes of the 1972 levy collectible in 1973, any district, which
qualified for an additional levy under subparagraph 3 of this subdivision,
and in which the sum of the additional amount per pupil unit authorized
by subparagraph (3) and $750 per pupil unit is greater than $788 per pupil
unit may levy an additional amount per pupil unit which is equal to or less
than $38 per pupil unit plus the difference between said sum and $788 per
pupil unit. A district which is located in a city of the first class may
not qualify for an additional levy that exceeds 1.5 mills times the adjuster
assessed valuation of the district.

(5) Each district which maintains a post secondary area vocational techni-
cal school shall report to the commissioner of education the receipts and
expenditures of the district for the area vocational technical school by Sep-
tember of the fiscal year ending in the preceding June. The commissioner
shall prescribe the form of the report.

Each district or county maintaining a post secondary area vocational tech-
nical school may levy an additional levy exclusively for this school, but such
levy in a district within a city of the first class may not exceed .5 mills times
the adjusted assessed valuation of the district as determined by the equali-
zation aid review committee for the year prior to the certification of the levy.

(6)(A) In order that the transition from existing patterns of financing public
schools to the system prescribed in this article may be made in an
orderly fashion, a district may levy an additional levy under the terms of
this section.

(B) If that part of the levy certified by the school district in 1970, received
in 1971, plus so much of the levy, allowed under subdivisions 2 and 3, sections
1 to 5 of this act, to be certified in 1971, received in 1972, as will be received
between July 1, 1971 and June 30, 1972, and when added to all other state aids,
local funds available and net existing local debts, exclusive of bonded debt and
existing capital loans will not be sufficient to allow a district to spend an amount
per pupil unit sufficient to raise its 1970–1971 adjusted maintenance cost per
puril unit by $42 it may petition the commissioner of education for authority
to levy an additional levy. Before such a levy can be made, the commissioner
must authorize such a levy. Such authorization shall specify the amount of the
levy, provided that such levy may not exceed .5 mills in a city of the first class
or 1.5 mills in any other district times the 1970 adjusted assessed valuation of the
district as determined by the equalization aid review committee.

(C) If the additional levy allowed in (B) is insufficient to raise the adjusted
maintenance cost of a district to $42 above its costs in 1970–1971 it may petition
the commissioner of education for authority to issue general obligation bonds of
an amount sufficient to meet the deficiency. The commissioner must authorize such
a bond issue. The authorization shall specify the amount of the bond issue pro-
vided that the levy authorization to pay the principal and interest on the bonds
may not exceed .5 mills in a district within a city of the first class, or 1.5 mills
in any other district, times the 1970 adjusted assessed valuation of the district
as determined by the equalization aid review committee. The bonds authorized
by this section shall be sold and issued pursuant to the provisions of Minnesota
Statutes, Chapter 475, except as otherwise provided herein. Such bonds shall not
be included in computing any debt limitation for a district and no election shall
be required for their sale and issuance.

A district may not be authorized an additional levy under both (B) and (C)
of this section.

Subd. 4. Any district which in any year levies an amount which is greater
when the amount allowed by subdivisions 2 and 3, shall lose an amount of State

foundation aid equal to one-half of the excess in the levy, provided that any levy which is found to be excessive as a result of a decision of the tax court or a redetermination by the equalization aid review committee under section 124.212 subdivisions 11 to 20, shall not be compensated for in the next levy of the district. The amount of aid lost shall be deducted from the aid which would otherwise have been received for the school year which commences in the calendar year during which the excessive levy is being collected. Any foundation aid so withheld shall be withheld in accordance with the procedures specified in section 124.15. A levy made in 1971 prior to the effective date of Laws 1971, Ex. Sess., c. 31, Art. 20 shall be reviewed, and may be modified, by the appropriate authority of the district for the purpose of reducing such levy to conform to the limitation imposed by Laws 1971, Ex.Sess., c. 31, Art. 20. Any reduction in such levy made prior to December 15, 1971 shall be given the same effect as though such reduction had been made prior to the expiration of the time allowed by law for making the levy.

Subd. 5. For the purposes of this section, the number of pupil units in average daily membership shall be computed in accordance with section 124.17, provided that the district may use an estimated average daily membership for the current school year. Any district which increased its pupil units, exclusive of consolidation, or merger of districts, or change of definition of pupil units by more than 5 percent from one year to another may use an estimated pupil unit count for the next succeeding school year for determining a levy certified in the current year. If as a result of such estimate the levy is different from the amount that could actually have been levied under this section had such levy been based upon the pupil units computed under section 124.17 for that school year, then in that event the authorized levy for the following year shall be adjusted for the difference.

Subd. 6. Notwithstanding any other charter provision, general or special laws to the contrary, every school district in the state shall abide by the terms and provisions of this section.

Subd. 7. By November 1 of each year (December 1, in 1971 only) each district shall submit to the commissioner of education and the commissioner of taxation a certificate of compliance with the levy limitations of this section and of section 124.04. The commissioner of taxation shall prescribe the form of this certificate.

Sec. 9. Minnesota Statutes 1969, Section 290.62, is amended to read:

290.62 Distribution of revenues

All revenues (except the bank excise tax imposed by section 290.361) derived from the taxes, interest, penalties and charges under this chapter shall, notwithstanding any other provisions of law, be paid into the state treasury and credited to the general fund, and be distributed as follows: section 290.361, there shall, notwithstanding any other provision of the law, be paid from this general fund all refunds of taxes erroneously collected from taxpayers under this chapter as provided herein.

(2) There is hereby appropriated to the persons entitled to payment herein, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment.

Sec. 10. Minnesota Statutes 1969, Section 352.041, Subdivision 5, is amended to read:

Subd. 5. Employee contributions, leaves of absence; tax levies. Every political subdivision employing a state employee covered by the system on leave of absence from state service for employment by a political subdivision of the state shall pay into the state employees retirement fund the amount of the employer contribution required by law for state employees covered by the system. Such employing political subdivisions, except school districts, may levy such taxes as may be necessary for the payment of employer contributions without limitation as to rate or amount, and the levy of such taxes shall not cause the amount of other taxes to be levied by political subdivisions, except school districts, which are subject to any such limitation, to be reduced in any amount whatsoever.

Sec. 11. Minnesota Statutes 1969, Section 353.28, Subdivision 8, is amended to read:

Subd. 8. If the taxes authorized to be levied under this section cause the total amount of taxes levied to exceed any limitation upon the power of a county, city, village, borough, town, or school district to levy taxes, the governmental subdivision concerned, if it is other than a school district, may levy taxes in excess of the limitation in such amount as is necessary to meet its obligations under this section. The expenditures authorized to be made under this chapter by any municipality are not included in computing the cost of government as defined in any home rule charter of any municipality effected by Laws 1957, Chapter 935.

Sec. 12. Minnesota Statutes 1969, Section 355.299, is amended to read:

355.299 Obligations of political subdivisions

Each political subdivision is hereby authorized and directed to pay its obligations under this act from moneys collected from taxes or other revenues. Each political subdivision authorized to levy taxes may include in its tax levy the amount necessary to pay such obligations. If the taxes authorized to be levied under this section cause the total amount of taxes levied to exceed any limitation whatsoever under the power of the political subdivision to levy taxes, such political Subdivision, if it is other than a school district, may levy taxes in excess of the limitation in such amount as is necessary to meet its obligation under this act. The expenditures authorized to be made shall not be included in computing the cost of government as defined in any home rule charter or charter of any city affected thereby. The governing body of a municipality for the purposes of meeting its obligations hereunder in the event of deficit, may issue its obligations payable in not more than two years in an amount which may cause its indebtedness to exceed any statutory or charter limitation without an election and may levy taxes and pay therefor in a manner provided in section 475.61 and acts amendatory thereto.

Sec. 13. Minnesota Statutes 1969, Section 471.61, Subdivision 1, as amended by Laws 1971, Chapter 451, Section 1, is amended to read:

471.61 Group insurance, protection for officers, employees, retired officers and employees

Subdivision 1. Officers, employees. Any county, municipal corporation, town, school district, county extension committee, other political subdivision or other body corporate and politic of this state, other than the state or any department heref, through its governing body, and any two or more subdivisions acting jointly through their governing bodies, may insure or protect its or their officers and employees, and their dependents, or any class or classes thereof, under a policy or policies, or contract or contracts of group insurance or benefits covering life, health, and accident, in the case of employees, and medical and surgical benefits, and hospitalization insurance or benefits, for both employees and dependents, or dependents of an employee whose death was due to causes arising out of and in the course of employment, or any one or more of such forms of insurance or protection. Any such governmental unit, including county extension committees and those paying their employees, may pay all or any part of the premiums or charges on such insurance or protection. Any such payment shall be deemed to be additional compensation paid to such officers or employees but for purposes of determining contributions or benefits under any public pension or retirement system it shall not be deemed to be additional compensation. Any one or more of such governmental units may determine that a person is an officer or employee if such officer or employee receives a portion of his income from such governmental subdivisions without regard to the manner of his election or appointment. The appropriate officer of such governmental unit, or those disbursing county extension funds, shall deduct from the salary or wages of each officer and employee who elects to become insured or so protected, on the officer's or employee's written order, all or part of the officer's or employee's share of such premiums or charges and remit the same to the insurer or company issuing such policy or contract.

Any governmental unit which pays all or any part of such premiums or charges is authorized to levy and collect a tax, if necessary, in the next annual tax levy for the purpose of providing the necessary funds for the payment of such premiums or charges, and except for school districts such sums so levied and appropriated shall not, in the event such sum exceeds the maximum sum allowed by any law or the charter of a municipal corporation, be considered part of the cost of government of such governmental unit as defined in any tax levy or per capita expenditure limitation; provided at least 50 percent of the cost of benefits on dependents shall be contributed by the employee or be paid by levies within existing per capita tax limitations.

The word "dependents" as used herein shall mean spouse and minor unmarried children under the age of 19 years actually dependent upon the employee

Sec. 14. Minnesota Statutes 1969, Section 471.61, Subdivision 2a, is amended to read:

Subd. 2a. Retired officers, employees. Any county, municipal corporation, town, school district, county extension committee, other political subdivision or other body corporate and politic of this state, other than a city of the first class having a population of over 400,000 or the state or any department thereof, through its governing body, and any two or more subdivisions acting jointly through their governing bodies, may insure or protect its or their retired officers and retired employees entitled to benefits under any public employees retirement act and their dependents, or any class or classes thereof, under a policy or policies, or contract or contracts of group insurance or benefits covering life, health, and accident, medical and surgical benefits, or hospitalization insurance or benefits, for retired officers and retired employees and their dependents, or any one or more of such forms of insurance or protection. Any such governmental unit, including county extension committees, may pay all or any part of the premiums or charges on such insurance or protection. Any one or more of such governmental units may determine that a person is a retired officer or a retired employee if such officer or employee, when employed, received a portion of his income from such governmental subdivisions without regard to the manner of his election or appointment. The appropriate officer of such governmental unit, or those disbursing county extension funds, shall collect from each such retired officer and retired employee who elects to become insured or so protected, on such officer's or employee's written order, all or part of the retired officer's or retired employee's share of such premiums or charges and remit the same to the insurer or company issuing such policy or contract.

Any governmental unit which pays all or any part of such premiums or charges is authorized to levy and collect a tax, if necessary, in the next annual tax levy for the purpose of providing the necessary funds for the payment of such premiums or charges, and except for school districts such sums so levied and appropriated shall not, in the event such sum exceeds the maximum sum allowed by any law or the charter of a municipal corporation, be considered part of the cost of government of such governmental unit as defined in any tax levy or per capita expenditure limitation; provided at least 50 percent of the cost of benefits on dependents shall be contributed by the retired officer or retired employee or be paid by levies within existing per capita tax limitations.

The word "dependents" as used herein shall mean spouse and minor unmarried children under the age 19 years actually dependent upon the retired officer or retired employee.

Sec. 15. Minnesota Statutes 1969, Section 124.09, is amended to read:

124.09 School endowment fund, apportionment

Beginning with the apportionment in October, 1972, the school endowment fund shall be apportioned semi-annually by the state board, on the first Monday in March and October in each year, to districts whose schools have been in session at least nine months, in proportion to the number of pupils between the ages of five and twenty-one years who shall have been in average daily membership during the preceding year, provided, that apportionment shall not be paid to a district for pupils for whom tuition is received by such district.

Sec. 16. Minnesota Statutes 1969, Section 124.10, Subdivision 3, is amended to read:

Subd. 3. The county auditor, on the first Wednesday after such apportionment, shall report to the commissioner on the amount apportioned, the sources from which such money was received, and the total average daily membership of pupils in the county entitled to apportionment.

Sec. 17.

121.49 Itemization of amount of aid to districts

The department of education shall itemize for each school district in the state the total amount of money and the amount of money per pupil unit which accrues to the district for the year ending June 30, 1972 and for each year thereafter from each type of school and federal aid, refund, payment, credit, disbursement or monetary obligation of any kind, including but not limited to each special state aid, emergency aid, payments in lieu of taxes, and pension and retirement obligations for the benefit of personnel of the district. State agencies which have information necessary for the itemization required by this section shall provide the information to the department of education. The completed itemizations shall be made available to the appropriate standing committees of the legislature in convenient reference form not later than December 1 following the year for which they are made.

Sec. 18. School districts 287, 916, and 917 are not subject to the levy limitations imposed by this article.

Sec. 19. Minnesota Statutes 1969, Section 124.13, is amended to read:

124.13 Limit on state aid

The total amount of aid paid by the state to any district for any year shall not exceed the total amount expended by the district for education of resident pupils during such year.

Sec. 20. Minnesota Statutes 1969, Section 122.45, is amended by adding a subdivision to read:

Subd. 3a. (a) Liabilities of a dissolved district existing at the time of the attachment other than bonded debt within the purview of subdivision 2 shall be obligations of the consolidated district after attachment (in the amount and kind determined by the county board according to subdivision 1, where a dissolved district is divided), for the payment of which the consolidated district has a right to reimbursement by special levy or levies. The amount of reimbursement will be equal to the liabilities of the dissolved district for which the consolidated district is obligated less the aggregate of the following which has been or will be received by the consolidated district at or after the time of attachment from or as a result of the dissolution and attachment of the dissolved district:

(1) All taxes inuring to the consolidating district upon levies made by the dissolved district;

(2) All cash, bank accounts, investments, and other current assets;

(3) Earned state aids of the dissolved districts;

(4) Returns from the sale of property of the dissolved district.

(b) The amount of such special levy so computed shall be certified to the county auditor with the other tax requirements of the consolidated district but separately stated and identified. The auditor shall add the amount of special levy so certified to the school rate for the territory in the consolidated district which came from the dissolved district and include it in the levy on the taxable property in that territory; provided, the county auditor shall not spread more of the amount certified for special levy, in any year than will amount to 20 percent of the school levy without the special levy, leaving the remaining part of the certified amount for levy in successive years without further certification. Any amount of reimbursement to which it is entitled omitted by the consolidated district from its initial certification for special levy may be certified in a subsequent year for levy in the same manner as the levy upon initial certification.

The levy authorize by this subdivision shall be an addition to those otherwise authorized by Laws 1971, Ex. Sess., c. 31, art. 20.

Sec. 21.

122.53 Adjusted maintenance cost per pupil

If all or part of the area included within two or more school districts is consolidated, merged or otherwise combined to constitute a single school district, and differing adjusted maintenance costs per pupil unit apply for the prior year, the adjusted maintenance cost per pupil unit applicable to the surviving entity for purposes of Laws 1971, Ex. Sess., Chapter 31, shall be equal to the average of such costs weighted by the taxable value assigned to the areas involved by the county auditor or respective county auditors. In any event, the adjusted maintenance cost per pupil unit shall not be less than the adjusted maintenance cost per pupil unit of the district or districts maintaining secondary educational facilities. Such weights shall apply in a like manner to determine pupil units for the surviving entity of the school year preceding consolidation, merger, or other combination.

Sec. 22.

122.54 Operating debt

Subdivision 1. The operating debt of a school district as of the close of business on June 30, 1971 shall include any (1) amounts received before July 1, 1971, from (a) advances from the county auditor made to the district from ad valorem real property taxes exclusive of advances pledged to the payment and interest on bonded indebtedness which were levied in 1970, (b) payments received from personal property replacement made in February and March, 1971, (c) payments received from per capita aids made in June, 1971 plus (2) any unpaid obligations for services or materials properly chargeable to costs for any year prior to July 1, 1971, (3) minus the total amount of accounts receivable as of June 30, 1971, and (4) minus the net cash and invested balance of the district exclusive of building, sinking and bond funds. Unpaid obligations for services or materials properly chargeable to costs for any year prior to July 1, 1971, shall include but not be restricted to (1) money due for unpaid personnel salaries for services rendered prior to July 1, 1971 for which checks were not drawn, (2) total unredeemed certificates of indebtedness for anticipated aids or taxes as of June 30, 1971, and (3) outstanding orders not paid for want of funds. If the amount of operating debt so computed is positive, this amount is defined as the operating debt; if the amount is negative, the district has an operating surplus.

Subd. 2. Each year at a time and on forms provided by the commissioner, each district shall report on its operating debt or surplus in such detail as shall be required by the commissioner.

Subd. 3. Not later than January 15, 1973, the department of education shall prepare and submit to the legislature a report submitting its findings pursuant to this section.

Sec. 23. Minnesota Statutes 1969, Section 124.215, Subdivision 1, as amended by Laws 1971, Chapter 252, Section 1; and Subdivision 2, are repealed provided that payments may be made to school districts pursuant to those sections after July 1, 1972, if the payments are for the 1971–1972 school year or any previous year.

Sec. 24. Minnesota Statutes 1969, Section 124.51, is hereby repealed as of July 1, 1972, provided that payments may be made pursuant to that section if they are for the 1971–1972 school year or any previous year.

Sec. 25. Minnesota Statutes 1969, Section 122.45, Subdivision 3, 124.211, 275.12 and 275.123; Laws 1961, Chapter 444; Laws 1965, Chapter 240; Laws 1965, Chapter 705, Section 1, Subdivisions 12, 13, 14, 15, 16, and 17, as amended by laws 1969, Chapter 1110; Laws 1959, Chapter 462, Section 6, as amended by Laws 1963, Chapter 645, Section 6, as amended by Laws 1967, Chapter 661, Section 5; and Laws 1969, Chapter 609, Section 2, are hereby repealed.

Sec. 26. The appropriation made by Laws 1971, Chapter 966, Section 13, Subdivision 5, (b) shall cancel, and the moneys appropriated thereby shall revert to the general fund of the state treasury.

Sec. 27. The proviso attached to the appropriation made in Laws 1971, Chapter 960, Section 6, Subdivision 3, is rescinded.

Sec. 28. The state board of education is directed to report to the 1973 session of the legislature on the adequacy and equity of using pupils from families receiving aid to families with dependent children as an index of educational overburden.

Sec. 29. The appropriation made by Laws 1971, Chapter 966, Section 13, Subdivision 4, is cancelled. The appropriations by laws 1971, Chapter 966, Section 13, Subdivision 5, paragraphs (a) and (c) shall be administered so far as possible in accordance with Minnesota Statutes 1969, Section 124.215, notwithstanding the time limitations expressed in that section.

Sec. 30. There is hereby appropriated from the general fund to Independent School District No. 250, Hennepin county, the sum of $49,341, as reimbursement for tuition not otherwise recovered from state and federal aid payments for 1969–1970 and 1970–1971 school years for pupils residing on the Fort Snelling military reservation. Independent School District No. 280 may, by resolution of its board, enlarge its boundaries to include any presently adjoining unorganized territory. If the unorganized territory of Hennepin county is absorbed by Independent School District No. 280 and there exists a balance in the accounts for which this appropriation has been made, the amount appropriated shall be adjusted in the next payment of aid to Independent School District No. 280.

Sec. 31. The board of education of each school district situated in a city of the first class shall report to the commissioner of education moneys expended in the school year 1971–1972 and estimated to be expended in the school year 1972–1973 for educational instruction in each school building. Such report shall be made in the form prescribed by the commissioner and shall be filed with him not later than January 15, 1973.

Sec. 32. Minnesota Statutes 1969, Section 297A.57, is amended to read:

297A.57 *Distribution to remaining school districts.*

Using the other one half of the amount remaining, the state auditor shall determine the amounts to be distributed to each school district in the state (except school districts located in cities of the first class) on a school census basis, giving an equal amount of each child between the ages of six and sixteen years, both years inclusive, residing in a district, such amount to be not less than $20 for each child.

Sec. 33. Notwithstanding any other provision of law, any district which has received aid pursuant to Minnesota Statutes, Section 124.802 for the preceding six years shall be entitled to receive in any school year commencing after July 1, 1971, the greater of the aid due under section 124.802 or the average of the aid received during the preceding six years. This section shall not apply to a district in which the average of the aids received during the six preceding years exceeds $90,000. This section shall expire July 1, 1973.

Sec. 34. Appropriation. The sums set forth are appropriated from the general fund for the indicated purposes. The figures appearing below designated years are appropirated for the fiscal years beginning on July 1 of those years.

	1971	1972
School foundation aids	$378,772,460	$517,699,800
Emergency school aid (moneys not expended during 1971 shall not cancel and shall be available in 1972.)	4,000,000	
School transportation reimbursement aid	25,200,000	33,300,000
Classes for handicapped children	18,333,000	21,233,136
School vocational aid	27,942,000	34,900,404

Moneys not expended during 1971 shall not cancel and shall be available in 1972.

Sec. 35.

275.126 *Teacher retirement fund levies, exemptions from limitations*

Levies for teacher retirement fund associations established under the provisions of Minnesota Statutes, Section 354.15 are exempt from the levy limitations of Laws 1971, Ex.Sess., Chapter 31, Article 20.

Sec. 36.

275.127 *School districts within cities of first class; retirement levies, exemption from limitations*

Retirement levies by school districts within districts of the first class under Minnesota Statutes, Sections 422.01 to 422.54 are exempt from the levy limitations of Article XX of Laws 1971 Ex. Sess., chapter 31, but not those of Article XXVI of Laws 1971, Ex.Sess., Chapter 31.

STATEMENT OF ROGER HAYDOCK, LEGAL ASSISTANT OF RAMSEY COUNTY, ST. PAUL, MINN.

Mr. HAYDOCK. Thank you very much.

Mr. Chairman, for purposes of our discussion, the Minnesota situation brings in three points.

One is that the court decision recognized the need for redistributing the available money now for school financing, and redistributing, or coming up with new sources of revenue. The court decision, in short, held that property tax could not be used to finance schools.

The aftermath in Minnesota was that the Minnesota Legislature adopted a school financing bill, which as Congressman Quie mentioned before, earmarked some income tax funds for school funding, which then gave property tax relief to individual school districts. They need not now rely on property taxes to fund the needed revenue for the school districts.

The second point that the Minnesota situation raised was the need for Federal action.

At the time our lawsuit was brought, there was no outstanding public school financing bill.

The bill had lapsed, and our Federal court decision came down at the time the Minnesota Legislature was in special session and was debating as to what to do, and there was some considerable consideration as to what should be done, as to what bill should be passed. The court decision saying the past system was unconstitutional gave impetus to the legislature to adopt a bill, in which the State aid would then make up for the difference that property tax once paid.

The bill passed by the legislature increased State aid to approximately 50 percent this year, and an additional 25 percent next year, which then meant again that the school districts would have to rely less on property taxes of the local community.

Third, the Minnesota situation in a sense raises the problem of municipal overburden. In any Federal legislation passed, the Federal funds distributed cannot merely be distributed on a per capita basis per child per school district, because of the problem of municipal overburden: that is that urban school districts have a much tougher time and have greater obligations, and greater needs for municipal services, such as police, fire protection, courts, or whatever: and they have less choice in where the money comes from, to cover the additional costs for those services, than suburban and rural areas do. So the formula used for Federal distribution of funds, which I hope will be forthcoming, must recognize the difference between the urban school situation and the rural school situation. Whereas rural school districts may have local choice—they can say we can use property taxes to obtain more money—the cities do not have that choice because they provide so many municipal services.

Mr. QUIE. Is that principle utilized in State aid?

Mr. HAYDOCK. In Minnesota, although I have been away for some time, I understand that the school board in St. Paul is having to justify its request for additional State aid to a subcommittee of the State legislature. And I believe because there was insufficient moneys in comparison to other centers and other areas around St. Paul per pupil in the school district, and because Minnesota only has one large metropolitan area (Minneapolis-St. Paul), the legislature granted the cities additional relief for urban expenditures for municipal services.

I am not clear under the bill, under the new tax bill, because I am not a tax expert. It is a complicated bill, but I understand the problem of municipal overburden has been lessened.

Mr. QUIE. It requires the city to establish their municipal overburden in order to secure the additional funds?

Mr. HAYDOCK. I believe that the burden is not initially on the city. The legislature has recognized the problem of municipal overburden to a degree, but I do not think the cities feel the legislature recognized it to a sufficient degree, and they are coming in for additional funds.

Mr. QUIE. It seems to me they are requesting additional funds.

Mr. HAYDOCK. There are some problems peculiar to Minnesota.

Mr. QUIE. You mentioned a little bit earlier there are no property taxes utilized by the State and the local community has a limit to which it could go in levying property taxes for education, and if it is to go higher than that, they put the issue to the people for a separate vote?

Mr. Haydock. That is true. It does place a limit, but there is also a provision in the bill for additional State funding. They could circumvent the referendum issue in some special situations.

Mr. Quie. The last question I have, has it been decided whether the State law is adequate?

Mr. Haydock. No, we dismissed our suit, after the legislature enacted the new bill.

The suit has now been dismissed, and we are waiting to see what the effect of the new bill will be, and whether it will actually solve the discriminatory problems of the old system. That will not be known until the facts and figures come in, which will be some time, and if things are not better, we perhaps will file the suit again.

Mr. Ford. One thing, there has been an effort at the State level to do more in sort of a categorical way, paralleling the types of programs of the Federal Government, relating to poverty and schools, and a lot of other things that had not been done before, and the States had formerly dealt only with the wealth of the school districts.

I wonder if this panel, whether it has been indicated by your able leader, if this debate has taken place in the court, or perhaps it should have been taken place elsewhere.

The *Serrano* decision talks about the wealth of the district, talks about the relative paucity of the school district capacity to provide the education, which is a traditional approach States have used to try to equalize wealth.

The disadvantaged child living in a district that had a relative, a high-property tax rate, was not a State concern, but step by step, the States have become a little more involved in zeroing in on the child benefit theory, for remedial reading, and providing extra aid for counseling, and a lot of other things, that I think can be properly said that the Federal Government provided for this, but there is a group that is debating back and forth here, that when you suggest the solutions that you might engage the practices in meeting the challenge of *Serrano*, you talk about the forms of directing the funds for children of special needs, who would be identified, in some way other than the fact they were of a district unable to provide for those special needs.

While you are talking about this, you have just taken us back and forth.

Will you melt together the difference between the child benefit theory of equality of educational opportunity, and the proposition that the dollars ought to be equal without regard to the situation of the child.

Mrs. Carey. The two merge solutions. The Fleischmann Commission, for example, recommends in New York, that a district should receive for its school system additional funds for children who score below certain levels on aptitude tests. They would get 50 percent more per capita for those children.

The money goes to the district, and——

Mr. Hatter. There would be no problem with the *Serrano* decision, because there you have identified a legitimate purpose for the discrepancy.

Mr. Ford. You are saying if you meet the negative test of eliminating discrimination on a geographical basis, that after you have done that, you are then free to discriminate specifically in favor of certain categories?

Mr. HATTER. In a rational basis.

Mrs. CAREY. For valid educational purpose.

Mr. HATTER. The States have taken the lead from you gentlemen, they are now moving into these areas of meeting special needs of certain children.

Mrs. CAREY. One of the worst things that everybody has been frightened about, is a simple decision that everybody has to get the same amount of money, that would subvert the whole movement.

The next case we want to consider is the case of *Rodriguez* v. *San Antonio, Tex.*, and Steve Browning from the lawyers committee has worked very closely on that case, and he will discuss it.

STATEMENT OF R. STEPHEN BROWNING, STAFF ATTORNEY, LAWYERS' COMMITTEE FOR CIVIL RIGHTS UNDER LAW

Mr. BROWNING. Thank you very much, Mr. Chairman.

I want to indicate, first of all, that I was called to testify on rather hasty notice. An hour ago we discovered that Prof. Mark G. Yudolf was not here to testify. So, in his place, I've been asked to give you a brief presentation on the status of school finance litigation in the State of Texas. I will try to stick closely to the facts.

The State of Texas, like many other States in the Union, has gross disparities in the way it finances elementary and secondary public education. For example, in school year 1969–70, although the average per pupil expenditure in Texas was $570, the range of expenditures for school districts ran from a low of $250 per pupil to a high nearly $5,000 per pupil (a ratio of approximately 20 to 1). It is interesting to contemplate what a school district could do with $5,000 per pupil, but I will leave that to challenge the imagination of those members of the subcommittee here today.

In 1965, the Texas Legislature, after deciding to look into inequities in the State's system of financing public schools appointed a special study committee formally named the Governor's Committee on Public Education, but informally known as the Committee of Eighteen. The committee studied public school expenditures in Texas for several years and ultimately concluded indeed there were inequities. Unfortunately, the committee's conclusions and recommendations apparently did not result in any reforms by the State legislature to correct the identified inequities.

In October, 1968, *Rodriguez* v. *San Antonio Independent School District* was filed. *Rodriguez* has not received widespread national publicity; yet it might well be the most significant of all the school finance cases. Indeed, I suspect it may become a landmark opinion as significant as that of *Brown* v. *Board of Education of Topeka*. I say that primarly because it will be the first court challenge against State systems of financing public schools in the "post-*Serrano*" line of cases.

The *Rodriguez* case was filed in the Federal District Court in San Antonio, Tex. San Antonio is located in Bexar County. And Bexar County, unlike many counties throughout the country, has numerous school districts within its boundaries. That is, school districts in Texas are not divided according to county lines: indeed, in San Antonio school district boundaries do not even correspond to city lines. San Antonio is no exception, for in that city there are six school districts.

One of the six school districts, Edgewood Independent School District, is the home of the plaintiffs in the *Rodriquez* suit. Edgewood School District is the poorest of all of the school districts in Bexar County.

Before going on, I would like to refer to an affidavit which the lawyers' committee had prepared for the *Rodriquez* suit. This affidavit, prepared by Joel Berke of the Syracuse University Research Corp., does an excellent job of illustrating the disparities inherent in the State's system for financing public schools in Texas.

Mr. Pucinski. That affidavit has been inserted in the record immediately following the *Rodriquez* decision which precedes Mrs. Carey's oral statement.

Mr. Browning. It is important to add, at this point, that the proportion of black and brown students at the Edgewood school district is over 90%. This is significant, because the plaintiffs allege that the system of funding public schools in Texas discriminates against minority school children. That is to say, the plaintiffs charge that the higher the proportion of minority students in any given school district, the lower its per pupil expenditures.

The *Rodriquez* suit was filed a few months after the abortive *McInnis* (Illinois) suit—the *McInnis* suit, discussed earlier by Mrs. Carey, was the first school finance case to reach the Supreme Court in early 1969. Unlike the *McInnis* suit, the *Rodriquez* suit survived a motion to dismiss. It did so, in my judgment, primarily because of the complaint of racial discrimination inherent in the Texas system of school finance. It may well be that the racial elements in the *Rodriquez* suit will have substantial impact on the outcome of its appeal to the U.S. Supreme Court.

The history of the *Rodriquez* litigation is instructive, particularly as it relates to attempts for school finance reform by State legislatures. In June of 1969, the Committee of Eighteen (the Governor's Committee mentioned before, which was appointed ot study school finance problems) issued its final recommendations for the reform of certain inequities it had identified in the Texas system of funding public schools. The possibility of the legislature responding to the recommendations of the Governor's Committee apparently had a substantial effect on the Judges who had been assigned to hear the *Rodriquez* case. In the Spring of 1969 after denying the State's motion to dismiss, the *Rodriquez* Court decided to withhold any action on its part for 2 years. This 2-year period was deemed an adequate allowance by the Court for the State's legislature to review and respond to the recommendations of the Committee of Eighteen. The 2-year period, however, expired in the spring of 1971 without any substantial legislative activity on school finance reform. As a consequence, the *Rodriquez* Court decided to go ahead and dispose of the claims made by the Edgewood school children.

Meanwhile, on August 30, 1971 the California Supreme Court handed down a resounding opinion in *Serrano* v. *Priest*. The *Serrano* decision, as this subcommittee well knows, has completely changed the national posture of the school finance litigation movement. It is now a very positive movement with profound national implications, as evidenced by the attendance of the subcommittee here today.

The *Rodriquez* suit is, in my judgment, the most important case in the school finance reform movement, except perhaps for *Serrano.* Decided 3 months after *Serrano*, the *Rodriquez* decision was a "first" in several ways. It was the first post-*McInnis* case to be heard by a three-judge court and, and it was a first three-judge court decision to declare a State's system of financing of schools to be unconstitutional. Moreover, it was the first Federal court to enjoin the enforcement of a State's statutes which provide educational funds.

On February 17, an appeal to the U.S. Supreme Court was noticed by the State of Texas in the *Rodriquez* case. It is conceivable that the case may be heard by the Supreme Court this spring. However, it is far more likely that no Supreme Court action will be taken until the October 1972 term.

OTHER SCHOOL FINANCE LITIGATION IN TEXAS

There is a case quite similar to the *Rodriquez* suit which may provide an element of confusion when considering school finance litigation in Texas. This second suit, captioned *Guerra* v. *Smith*, was filed in January 1969, 3 months after the *Rodriquez* suit was filed. The *Guerra* plaintiff's reason for filing, an almost identical, but separate, lawsuit was apparently one of legal strategy. (The *Rodriquez* suit was filed before a three-judge Federal court while the *Guerra* suit was filed before a single-judge Federal court. The difference between these two strategies relate largely to the amount of time it takes to achieve a Supreme Court review.)

The *Guerra* suit was dismissed in June of 1971, 2 months before the landmark *Serrano* decision was handed down by the California Supreme Court. The plaintiffs in *Guerra* appealed their case to the U.S. Court of Appeals for the Fifth Circuit and oral argument was heard on February 21, 1972, 4 days after the *Rodriquez* case was noted for appeal to the U.S. Supreme Court. It now appears that the *Guerra* case will be held in abatement by the Fifth Circuit Court of Appeals until the *Rodriquez* case is decided by the U.S. Supreme Court.

There is a third school finance case of national significance in Texas. This case, which was touched upon briefly by Mrs. Carey in her testimony, is capitioned the *Fort Worth Independent School District* v. *Edgar.* The suit is a challenge to the Texas system of school finance brought by three powerful and respected plaintiffs: namely, the Fort Worth, Dallas, and Houston school districts. The *Fort Worth* case is substantially different from the *Rodriquez* and *Guerra* cases in that it concentrates exclusively on the State's formula for distributing State educational aid. The plaintiffs in the *Fort Worth* suit assert that large school districts in Texas are being deprived large amounts of money because, by doing an exemplary job of assessing themselves, they are made to look relatively more wealthy than rural school districts and, as a consequence, they receive far less money under the State's formula for distributing educational aid than they believe they are entitled.

This significance of the *Fort Worth* suit, apart from its novel legal theory, is that it might be decided in the next few months, and, conceivably, it may reach the Supreme Court at roughly the same time as the *Rodriquez* case.

THE REACTION TO THE "RODRIGUEZ" DECISION

The response to the December 23 *Rodriguez* decision appears not to be too dissimilar from that which occurred after the Court denied the State's motion to dismiss in early 1969. In short, very little legislative activity has occurred in Texas. Several more study committees have been appointed by the executive and legislative branches. These committees have mandates to identify alternative educational aid formulas; to determine what impacts these formulas might have on the individual school districts; and to make certain choices among these various alternatives. Beyond these appointed study groups, it is not clear whether school finance reform is going forward in Texas.

However, it seems clear that some activity must occur by December 1973. Because, according to the Court's order of December 23, the Texas State Legislature has 2 years in which to "take all steps reasonably feasible to make the school system comply with the applicable law; and * * * to otherwise restructure the taxing and financing system so that the educational opportunity afforded children attending Edgewood Independent School District, and the other children of the State of Texas, are not made a function of wealth, other than the wealth of the State as a whole as required by the equal protection clause of the 14th amendment to the U.S. Constitution."

Mrs. Carey. *Robinson* v. *Cahill*, as I mentioned earlier, is probably the most exciting State constitutional school finance case to be decided so far. Since Harold Ruvoldt came all the way from New Jersey, I think we ought to let him talk about his case.

Mr. Pucinski. Mr. Ruvoldt, your statement will go into the record at this point.

(The statement referred to follows:)

Statement of Harold J. Ruvoldt, Jr., Partner in the Law Firm of Ruvoldt, & Ruvoldt, Special Counsel to the Cities of Jersey City, Paterson, Plainfield and East Orange

Mr. Chairman and members of the House of Representatives Committee on Education and Labor, Subcommittee on Education. Today marks the second anniversary of the day on which the complaint in *Robinson vs. Cahill* was served upon the Attorney General of New Jersey, and as we sit here thousands of New Jersey's young are still sitting in overcrowded, understaffed, poorly lit classrooms, sharing texts and not learning. It is in many ways tragic that it took nearly two years to present the case to the Court. Yet, when one reads the opinion the gross inequities and inadequacies that were discovered begin to explain why the case took so long. Your invitation to me asked that I discuss *Robinson*, the reactions of the State to *Robinson*, and the future in litigation.

Robinson holds that the State must fund by a uniform statewide tax levy, a thorough education for all the children in New Jersey between the ages of 5 and 18. I will not waste your time with those parts of *Robinson* that are similar to the decisions in California, Texas and other States. To do that would be foolish. There are three points that *Robinson* makes that is to be found in no other opinion and thus I would mention them to you briefly.

Robinson is decided under the New Jersey and United States Constitution. This is significant because it obviates the need for federal involvement in the internal affairs of New Jersey if *Robinson* becomes the law of the State. In this regard it can be accepted by even the most conservative jurist as being consistent with State's rights.

Robinson guarantees more than equal educational opportunities. The fear, which is justified in other States, that a case such as this will result in equally *poor* educational opportunities is not justified after *Robinson*. *Robinson* holds that every child in New Jersey is entitled as a matter of enforceable right to a thorough education.

Robinson directs that a thorough education be funded by a uniform statewide tax levy out of state revenues. Thus, the taxpayer's right to uniform treatment is clearly established.

Robinson is a significant step forward. It is not a racial case. The case recognizes a new alliance of the poor and deprived be they white or black. The record in the case includes substantial proposals for educational as well as tax reform. The response of New Jersey has been to address its to tax reform. I am a strong advocate of tax reform, but the true crisis in education is not tax reform. The children who are not being educated will not be any better off because of tax reform unless we include in it a substantial upgrading program for educational deficiencies. The recently released report of the New Jersey Tax Study Policy Commission is an example of "reform" without improvement in education. Putting aside the problem created by the fact that several of the Commission's proposals are unconstitutional, the unwillingness to upgrade now the inadequate schools is apparent. The decision in *Robinson* requires the state to provide a thorough education and the answer by the State has been talk and not action. I do not foresee any problem arising by grace of the opinion if the legislature acts and does so promptly. The Court has ordered an injunction against the payment of funds to the wealthy districts in New Jersey if the Legislature does not act by January 1, 1973. If the pace of present activity on the part of the Legislature continues, I foresee many wealthy taxpayers finding themselves without state monies for their schools come January 1, 1973, and a number of suburban legislators facing some tough opposition in New Jersey's 1973 Gubernatorial and Legislative elections. In the future, litigation will be addressed at increasing the distribution of funds in federal programs in a more "need responsive" way. The target area approach used in New Jersey's federal programs will be the next issue I see. In addition, comparability suits will address themselves to the inequity of the use of federal funds to achieve higher levels of educational opportunities in one State than are being achieved by federal funds in another State. I implore you, as I did the New Jersey Legislature two years ago, to correct these inequities in present federal programming. The education of this nation's youth should be among our first priorities.

Lastly, I would mention to you an issue that was involved in *Robinson* but was not discussed extensively by the Court. It is and has been our position that the United States Constitution guaranteed to every child in the nation a "minimum education" i.e. such education as would fit him for the ordinary duties of citizenship. This implied promise in our Constitution is, I suggest, an avenue the Congress should explore to guarantee by appropriate programs, the realization of this promise. Federal funding of education, based not on a percent of total cost, but rather on a base of $400.00 regionally adjusted for cost differentials might be a logical beginning point for your study. Federal funds should not be dedicated to specific projects, for needs vary from district to district as to programs that will benefit children the most.

I would hope to see prompt action; for, in education, the words of the prophet are quite appropriate, "Tomorrow I will act, the fool doth say. Nay, today itself is too late, the wise did yesterday."

Thank you.

Appendix I.—"To Satisfy the Deep Hunger for Learning"

Address of Harold J. Ruvoldt Jr., to the 18th Annual Workshop of the New Jersey School Boards Association, October 29, 1970, Chalfonte Haddon Hall, Atlantic City, New Jersey

No matter where we turn these days, whether we pick up our daily newspapers, watch our television or listen to our radios, we cannot fail to hear the loud clear call summoning us to do something about the physical deterioration of our country.

With crushing suddenness all of us are being called upon to awaken to the environmental destruction we have wrought. We are being told that we have fouled our own nest. The most cursory observation confirms the findings of the ecologists that we have treated our air, our land, our water and our cities with the utmost contempt. But like all manifestations there is a father to the deed.

The late Adlai Stevenson remarked in 1952 ". . . Even more important than the development of our natural resources are the human resources of these United States—the blood, and the sinew, the imagination, the minds, the hopes and the ambitions of all our people." Ambassador Stevenson hit the nail on the head. The hope of this land resides in the young—but not just the young—the well educated young.

More recently Governor Cahill addressed a joint session of the legislature and drew a grim picture of the state's debt ridden, crumbling urban schools. The Governor pointed out: "Increasing crime, an alarming traffic in illicit drugs, urban decay and the debasement of our natural environment, all beg for solution. But none of these, however critical it may be, poses a greater challenge than the problem of revitalizing our educational system."

The Governor conceded, however, that there was no room in his budget for any major new educational program. Once again education came second to politics and economy. The Governor proposed the gradual implementation of another state-aid program for local schools that would begin in September of 1971. That program, after substantial legislative compromise will soon be the law of this State.

You might remember the title of a book by a black theologian, Howard Thurman's "Deep is the Hunger". Such is an appropriate summary for our crisis in education. Yes, "Deep is the Hunger". A different kind of hunger than that which Thurman perceived but a real hunger. Yes, in education "Deep is the Hunger". There exists in New Jersey and in this country a "quality gap" in education. A gap that has divided our people, our cities from our suburbs, our blacks from our whites. A gap that threatens the very existence of organized society. . . . "Deep is the Hunger".

The United States Office of Education estimates that there are over "24 million Americans 18 and over who have never learned the basic reading, writing and arithmetic skills needed to function in an increasingly sophisticated and technological society." They warn that "ten million children now in school have such reading problems that they are headed into the same functional illiteracy snake pit." Yes, "Deep is the Hunger."

In New Jersey today some school districts send 96% of their graduates to four year colleges while in Newark 94% of the students read below national norms. Some suburban school districts spend over $1,000 more per pupil than the nearest city which has over twice the suburban tax rate for education.

The schools of New Jersey are racially segregated. In East Orange all the plans the Department of Education attempt to draw within that school district must result in schools which are 83% black in spite of the fact that they know when a school becomes more than 25% black certain "inferior educational practices arise." "Deep is the Hunger."

In the survey of the Camden schools the Department of Education wrote "If the graduates of our schools are to survive in this society they must be able to read well, think well and work well. These are skills which, traditionally are provided in large part by the public schools. These skills are not being provided for a large part of Camden's students." Yes, "Deep is the Hunger."

Deep is the Hunger for learning, deep is the hunger for opportunity. Deep is the hunger for equality. And this deep hunger is not satisfied because of an antiquated system of financing education. This hunger is not satisfied because the system does not make available the resources necessary to close the quality gap. As the Camden Survey said: "With this dependance upon local property taxes for the support of education, it is inevitable that the children in the poorest community do not have the same educational opportunities as those in the more affluent districts." A program must be devised to satisfy the deep hunger for equal educational opportunities.

Our firm is handling two cases which challenge the basic structure of financing and adminstering education in New Jersey. The first case is *Robinson* v. *Cahill*, presently pending in the Superior Court Law Division which challenges the system of financing education in New Jersey and the real property tax which forms the main support of that system. The second case is *Spencer* v. *Kugler* presently pending partially in the United States District Court for the District of New Jersey before a special three judge constitutional court and partially pending in the United States Court of Appeal for the Third Circuit, which challenges the constitutionality of school district boundaries as we now know them and which requests an immediate desegregation order for New Jersey, and state funding of compensatory education.

These cases involve principles which "so entirely pervade the constitution, are so intermixed with the materials which compose it, so interwoven with its web, so blended with its texture, as to be incapable of being separated from it without rendering it to shreds." [*McCulloch* v. *Maryland* 4 Wheaton, 316 (1819)]. For the principle is equality under the law and honesty between a government and its people. These cases present a blueprint to satisfy the deep hunger for learning. A blueprint I would synopsize as follows: The State must support by legislative appropriation 100% of the cost of education. Existing school district boundaries must be redrawn to achieve racial balance. Local school boards must be reconstituted to comprise a balance between educators and citizens and these boards must, after consultation and public hearings certify their budgets to a state board of education which would compile a statewide budget to be submitted to the Governor and the legislature. The decision on appropriations and needs must be based on the educational needs of our young, not upon the local pressure of the taxpayers of 589 or more municipalities in separate decision making processes. Local prerogatives should be preserved provided they do not hamper the quality of education and New Jersey's poorest most inefficient school must be raised to the level of New Jersey's best, not the other way around. Appropriate recognition must be given to the "doctrine of urban markup," that is, it takes more money to provide identical services in one area than it may in another. We must equalize the opportunity for education. Programs for culturally and educationally, as well as physically disadvantaged, must be provided and funded by a uniform state program so that no child will receive an unequal opportunity.

The federal role is to be an ally aiding the state to experiment with innovative educational techniques and helping to fund programs for the disadvantaged.

The local role is to assure that the quality of education is maintained. It shares no funding role.

Such a program will provide for a more equitable distribution of funds. Such a program will eliminate the quality gap in education between the wealthy and the poorer areas. Such a program will eliminate the competition among teachers to work in the better schools since all schools will be of superior quality and working in "silk stocking districts" will not result in any different facilities. Such a program can preserve the best of centralization and the best of decentralization. Such a program recognizes that just 5 years from now, 1977, automation will have reduced unskilled workers to just 5% of the labor force compared with 17% today and 30% just 25 years ago. Such a program can satisfy that deep, deep hunger.

Howard Thurman told a story of a visit to Shoeville, the Shoe capital of the world. And he was shocked to find the doorman at the airport dressed as any other doorman might be, but he was not wearing shoes. The bell captain was dressed as any bell captain might be, but he was not wearing shoes. And so for two weeks he noticed that everyone in Shoeville was dressed the same as everyone in other parts of the world except . . . except they were not wearing shoes, and on departing Thurman turned to his host and said, "I think maybe I should not ask this question, but in this whole town of Shoeville, the shoe capital of the world, no one wears shoes. Why?" The host lowered his head shaking it in sorrow, and said "Yes, that is just it. Why don't they?"

As I read our documents, the Constitution of the United States and read about the "equal protection of the laws", I shake my head in disbelief and ask, "Why don't they?" As I read our documents, our Bill of Rights, and I read of ALL men being created equal, I shake my head in disbelief and ask myself, "Why don't they?". When I read about the importance that our political figures place on education every election year, I shake my head in disbelief, "Why don't they?" As I read our documents, the New Jersey Constitution, that the legislature shall provide a thorough and efficient system of public schools, I ask myself in disbelief, "Why don't they? Why don't they?"

APPENDIX II

ADDRESS OF HAROLD J. RUVOLDT, JR., TO NEW JERS[illegible]OOL BOARDS ASSOCIATION, LEGISLATIVE CONFERENCE, JAN[illegible], 1972

The internationally famous journalist Walte[illegible]man summed up our times shortly before his retirement. He wrote: "We are living through the closing chapters of the established and traditional way of life. We are in the early beginning of a struggle which will probably last for generations to remake our civilization". A short while ago on January 19, 1972, the historic opinion in the case of *Robinson* v. *Cahill* wrote the end to an ignominious chapter in our history of education. On that day our Court declared the inalienable right of every child to that equality of educational opportunity guaranteed in our Constitution. It was a glorious moment for New Jersey to become the first State in the Union to render final judgment in such litigation on the basis of its own Constitution. It was a bleak moment for New Jersey since it took a Court Order to change our direction.

The reasons for the *Robinson* case are almost obvious. Faced with oppressive taxation and yet being unable to provide quality education to the children of their communities, the Mayors of four municipalities stood together and said: "It does not have to be that way." Witnessing the deterioration of the education system that had educated them, Mayors of both major political faiths united and said: "It does not have to be that way." Seeing the thousands of children graduating from schools being functionally illiterate, seeing education being a lost art in urban New Jersey, seeing teachers underpaid, overworked and not given the tools they need, these four Mayors all united to say: "It does not have to be that way." The mayors who had the foresight to let us begin this venture have changed. Only two of the initial four remain in office, but the children remained and the problem continued to grow and now the court has said . . . "IT WILL NOT BE THAT WAY."

In an exhaustive seventy-seven page opinion Judge Theodore I. Botter struck down the invidious means of financing education that tied a child's educational horizon to the value of real property located in the town he happened to live in. In that document the Court established clearly the right of every child in New Jersey regardless of his geographical location in the state to a thorough education. The opinion has been widely publicized, the headlines read: "Tax Declared Unconstitutional." Perhaps that is the way things are. The most important part of the opinion for public consumption is that it will help or hurt them in the pocketbook. Perhaps the most important thing in New Jersey today is who pays how much. One cannot denigrate the importance of fiscal responsibility nor condemn the welcome relief that was felt by many of those who pay the property tax, but the opinion means much more. It means that New Jersey is committed not only to finding out why Johnny doesn't learn, but also to make him learn. It means the court will no longer tolerate political games and compromises being made with the State's future.

The decision was founded upon both the United States and New Jersey Constitution. While the nation is effected by the decision under the Federal Constitutional expression, we are more profoundly effected by the New Jersey document. If we may be parochial for a moment, we may hold our head with pride and say that in New Jersey we want more, we desire to guarantee higher levels of education for our children. We may after the decision in *Robinson* be justifiably proud that we have lead the way for the nation.

The remedies in the decision can be set forth in a single sentence. "The State must fund by a uniform statewide levy a thorough education for every child in New Jersey." What this should mean for New Jersey is simple to understand, education to a thorough level must be funded by a statewide income tax. It is obvious to the casual reader of our constitution that the statewide property tax suggested by Senator Miller and more recently discussed by former Senator Sears, conflicts with Article VIII, sec. 1, Par. 1 (a) of the New Jersey Constitution. The Income Tax should be a graduated tax and should also include a separate higher rate for corporate income. There should be a repeal of the local real property tax for education coupled with a freeze on municipal service levies beyond 10% over existing non-educational taxes. This will guarantee real property owners a 30–70% reduction in their local tax. The funds should be redistributed to existing school districts on the basis of 1200-1971 Dollars for each "average child" in the 1st to 6th grade and $1500 for every "average child" in grades 7–8, and $1760 for every "average child" in grades 9–12. The average child is the middle class white boy or girl with average I.Q., ability and educational background. Surely we recognize additional expenditures will be required for varying economic and educational conditions. There should be a 75% increase for AFDC children: up to 15% for urban markup and 10% for identifiable educational disabilities. In addition, $2400 per pupil in vocational school and $1760 for persons in evening school. These expenditures are based upon providing a "thorough" education. Since the 1971 dollar will rise or fall in value over the next few years, obviously an inflationary factor need be adjusted annually.

The revenue sources of a Statewide income tax must of course be supplemented by other types of corporate taxation to replace the revenues lost on corporate owned lands, but these revenue sources may and should extract a greater load from the commercial-industrial complex *via a vis* is the breadwinner.

The decision in *Robinson* is to be appealed. I respect the decision of the Attorney General to do so for this issue should be decided by our highest court. To facilitate that review, we will request the New Jersey Supreme Court to certify the question immediately. We will also ask the court to set an abbreviated briefing schedule to expedite the appeal and will file our brief within five days of the Attorney General's.

There has been an aura surrounding the appeal that is disturbing. It is the intimation of some political personalities that the appeal might be used as a delaying technique. I for one hold the Attorney General of this State in too high regard, both individually as well as in his official capacity, to countenance such intimations. I am confident that he will move this matter through the courts as rapidly as possible. Regardless of the outcome of the appeal, I implore the legislature to wipe out the deplorable conditions that exist today. The suggestion that the time alloted by the opinion is insufficient is ludicrous to me in light of the fact that the Governor has asked for and expects an increase in taxation to balance his budget. If the Legislature can comply with that request, I can see no reason that they cannot comply with the January date set in the *Robinson* opinion. In fact I implore the Legislature, as I did two years ago, to act now and render further litigation unnecessary. I pledge to you today that we will not stop or relax this struggle until the principals of *Robinson* are met.

To those who say the Court has not allotted sufficient time for the Legislature to act, let us reply you have had one hundred and fifty-one years to correct these inequities. You cannot allow the problem to continue. Children and their education are simply too important.

The avenue is now open to the Legislature to act. If they do, they can achieve a new day in New Jersey. If they do not, history will judge them harshly. The words of Walter Lippman are almost a more fitting place for us to end than they were to begin: "We are living through the closing chapters of the established and traditional way of life. We are in the early beginning of a struggle which will probably last for generations, to remake our civilization. It is not a good time for politicians. It is a time for prophets and leaders and explorers and investors and pioneers, and for those who are willing to plant trees for their children to sit under".

STATEMENT OF HAROLD RUVOLDT, JR., ATTORNEY, JERSEY CITY, N.J.

Mr. RUVOLDT. Thank you very much, Mr. Chairman.

We have our differences too in New Jersey. The *Robinson* opinion in my view is substantially different, and disagrees with many of the things that have been pointed out thus far.

When we started the case, we were advised not to, because New Jersey, as you probably know, is the third highest current expense per pupil State in the Nation, therefore it presumptively spends more on its education, than at least 47 of the other States on a per pupil basis.

However, during the course of our investigation, we found the situation of education in New Jersey to be ludicrous.

We found 4,000 children, for example, in one large urban city, Paterson, who were Spanish speaking children, and who had English speaking teachers, could never communicate.

Second, the case is different, because in addition to my being a private attorney and not a member of Legal Services, the main plaintiffs, in term of financial backing of the litigation were four cities, Jersey City, Paterson, and others, and therefore, the orientation of the case was twofold, first the student right, alleging that children attending school in the urban district were receiving less than a quality education, and, second, the taxpayers right, and so from that view, there was a distinct difference.

Congressman Bell asked whether *Serrano* dealt with the question of equality for the taxpayer.

In fact, *Robinson* did. *Robinson* determined that every taxpayer in New Jersey is entitled as a matter of right to uniform treatment.

The holding of the case can be summed up in one sentence.

The State must finance a thorough and efficient system of education out of State revenues, raised by levies imposed uniformly on taxpayers of the same class.

I want to make three points on that. First, the education must be both thorough and efficient.

It is not sufficient that the education be equal. The opinion clearly establishes an enforceable right to a given quality of education.

Second, that quality education must be funded out of State revenues, raised by a statewide levy.

Adjustments in State-aid formula, to achieve something less than a thorough education, will not suffice under the *Robinson* opinion.

Third, and perhaps most importantly, the opinion itself requires, that the State finance by a uniform statewide tax levy.

That term entails uniformity of assessment and uniformity of rate.

There is very interesting philosophical discussion now going on among some legislators in New Jersey, whether a uniform statewide real property tax at the rate of $1 will satisfy the requirements of *Robinson.*

As you may know, New Jersey has just completed and published a six-volume tax study policy report, volume 3 of which, I believe, is dedicated exclusively to financing of public schools.

First of all, let me say, especially in view of your earlier discussions about the statewide real property tax, between today's first witness and Congressman Bell, that in New Jersey, there is a specific constitutional prohibition against a statewide uniform real property tax to raise funds, and spend it disproportionately, that is, outside the districts in which it is raised. So I suggest to you a national solution of a statewide real property tax would not succeed, at least in New Jersey.

Second, this discussion involves whether a $1 rate on real property, even if assessed uniformly at this stage, is a uniform tax. Because of the problem of municipal tax overburden, and the competing interests for the tax dollars, the $1 tax in New Jersey in one city is substantially heavier in terms of burden than the $1 in another community, so it appears to me this tax rate would not be uniform.

Two other things I would like to mention in addition to the statements on file very briefly, because it was raised by the questioning. No. 1, is the whole concept of what the Federal Government should be doing.

We spent a substantial amount on research on this question in connection with our case. In count 7 of our complaint, we allege that every child in the Nation has as a matter of judicially enforceable right, the right to a minimum education.

Notice the distinction between "minimum" and "thorough." A difference in Federal vis-a-vis State roles. In fact, the opinion in *Robin-*

son, though not required to deal with it, alludes to that question, and seems to imply rather clearly that every child has a Federal right to a minimum education.

What strikes me is the possibility, assuming clients to be available, of involving ourselves in Federal litigation, to determine whether or not, as between the States, minimum education is being provided.

In our case, there was a clear finding of fact by the court that there was not minimum education in the large majority of New Jersey's districts.

I mention that to you, since you are not in the position to decide as a court can, whether or not minimum education exists, you are in a position to legislate the financial means, as well as the educational mechanism to provide a minimum education, so I think one thing the Congress should give serious thought to doing is to establish a nationwide support program which would guarantee a minimum education to every child in the country, minimum education of course presumes functional literacy, and it also presumes as the standard of living in the Nation increases so does the "minimum." It means minimum as it would be in Ohio, the standard of minimum education, would be similar elsewhere in the Nation.

The last thing I wanted to mention, because it was brought up in the questioning, about *Robinson*, is in connection with the child benefit theory. The question was raised by Congressman Ford. *Robinson* recognizes very clearly that "equal dollars for scholars" is not in New Jersey under this opinion constitutional.

In fact, there is a clear statement by the court that the Constitution requires unequal dollars for scholars, and that is for two basic reasons brought out in the evidence.

No. 1, a $1,200 education, if I may use California for an example, a $1,200 education in San Francisco probably is not the same as a $1,200 education in Beverly Hills.

In New Jersey the court found, as a matter of fact, that a $1,200 education in Newark was something less than a $1,200 education in neighboring suburban areas. So you cannot simply equalize dollars, because the thrust is not a dollar problem. It is an educational problem, and that requires unequal dollars based on the locality.

As the judge said, you have to pay teachers "combat pay" to teach in many of the urban areas.

The second factor is even assuming you make the adjustment for the educational environment, you have to account for the educational differences among children.

New Jersey, like the Federal Government, recognized the child benefit theory very early.

We had under our old school aid formula, which was declared unconstitutional, an adjustment factor for AFDC children.

We also had adjustment factors for several other factors for we recognized it is more expensive to educate children who came from a particular type of welfare home than children who did not. Thus in the opinion, it was clearly recognized there must be differences because of the educational needs for the children who come from a particular area, something which can and should, in fact, according to the opinion, must be adjusted according to the individual characteristics of the children attending those schools.

I do want to add one other thing. the future of this type of litigation. I think it is exciting.

One of your bills brought this to mind to me. It is H.R. 981. In education. for a time, we have incorporated the concept of comparability in legislation.

In House of Representatives bill 981, in section 6, it ties comparability in terms of "equal dollars."

In one of the other bills, which I saw sponsored by your chairman, Mr. Pucinski, the test of comparability is equality of offering.

I suggest that "educational offering," the educational program, rather than the dollar measure should be the test.

I suggest to you the two are not the same. The two may be in conflict. The degree to which H.R. 981 purports to give additional moneys in order to equalize expenditures, in New Jersey, it may create serious State constitutional problems. In fact it may defeat the very purpose of cases such as Robinson. What it would do, would be in those districts, which, under the new State test, would have to receive more State aid, this direct Federal money to those wealthy districts who are taxing less, would be contrary to the court decision. So rather than aiding the poor districts, H.R. 981, with its present comparability test would have the reverse affect of pushing the wealthy districts even further ahead.

Those are the major differences that Robinson has with the other cases. There are some other minor differences. The whole philosophical concept, that the cases brought in the State court, so as to keep the Federal Government out of the business of the New Jersey educational system, may be interesting to the jurisprudent, but I do not think you would be interested. Unless you have some questions, I will stop there.

Mr. Ford. Thank you very much.

You are in private practice?

Mr. Ruvoldt. Yes, sir.

Mr. Ford. And a great supporter of the legal services program.

I am glad the suggestion of Federal legislation came from you and not someone else on the panel.

The approach first uses the pupil expenditure, and then modifies that by using the number of children, coming from economically deprived backgrounds, and seeks to adjust.

While we have no way of knowing to what extent the adjustment in effect equalizes things, would the inclusion of such a factor, which is major in its impact, redistributes the sum equal of one-third of the total in that fashion, would that help to meet the challenge which you are suggesting?

Mr. Ruvoldt. The problem I see, Congressman, and I speak only about New Jersey, is that in New Jersey we have a number of districts which have special types of characteristics. I think, communities with large numbers of AFDC children, who attend school might be short changed because of the unique structures.

In other districts, the evidence shows, children with AFDC characteristics were receiving a substantially high quality education, because the districts they attend, have a substantial tax base to call upon.

The Federal funds, if that is to be the only weighting factor, would go to that wealthy district, whereas the other district with the same number of AFDC children, in this instance, I am thinking of New Jersey City where I come from, would in effect not receive the same, if we are talking about dollar equality.

One of the things you might think of, is adjusting the bill so as to provide, in States in which there are recognized and identifiable, under State support formula, provisions for weighting, those weighting characteristics be automatically carried over into Federal legislation.

Mr. Ford. That is where we have to weigh philosophies, again, the program is designed to serve 50 States to the unbelievable plate of spaghetti, which would be the best description of State distribution formulation, we are in serious trouble, and one of the biggest limiting factors we have on experimenting with formulas for distribution of funds at the Federal level, is a wide disparity between the States, their condition, and the State control seems to be local control, and the degree in between, New Jersey, we are familiar with on the committee.

We frequently use as an example one of the States that imposes uniformity, the burden most heavily on the property tax as distinguished from other States, and then we take a community in the Southeast, where that reflects a minor portion, or out in the Northwest State of Washington, my own State of Michigan, which is almost 50–50, there are variations all over the place, and everytime we try to deal with a formula, it will move money out across the country, we run into trouble, and we try to relate it to the way the States handle their own money, which almost universally, educators before this committee indicate to us it is unsatisfactory.

Mr. Ruvoldt. That is why I recommend a national guarantee of minimum education.

The reason for that being, you do not have to deal with those diversities.

You only have to deal with the guarantee of a minimum level of expenditure.

Mr. Ford. Except, if we say, that the Federal money, we are assuming that we are talking of one-third of costs, for elementary and secondary education, at the point where we say one-third of the money will be Federal money, we say this will provide as the floor, the basis for minimum education, then it might be argued, might it not, that that then becomes the principal source of universal support within the State, and that because we are saying to the State, use your money, State and local, for the purpose of making up the disparity, you no longer, from either the State or local government, provide a principal uniform source of income.

Mr. Ruvoldt. Not at all. If I can come in the back door for a moment, part of the problem I see, in dealing with educational financing legislation is we seem always to seek the most complex formula. The more complex, the more attractive it is to legislators.

I think a simple formula that does not tie itself to a local percent, but ties itself simply to a dollar commitment of a minimum. This lends itself more easily to understanding. It divorces itself from the problem of giving to New York State, because it spends more, more than a given amount of money, and forcing New Jersey to raise its expenditures to a level to get more Federal money.

I think when the role for the Federal Government is one of a minimum guarantee. So that we guarantee every child who attends schools will achieve a certain level of literacy.

I think that can be interpreted in terms of dollars.

Mr. Pucinski. I wonder if the panel would care to comment, has it been suggested that we include in the legislation the following language: "The Commissioner shall not approve an application by a State for funds unless there is satisfactory assurance that such funds will be allocated among the local educational agencies within the State according to the educational need in such a manner that when added to the State's basic average per pupil expenditure, there will be to the extent feasible approximately equal, socially compensatory levels."

Would that zero in on the things we have been talking about here?

Mr. Haydock. It zeroes in on it.

Mr. Hatter. How you handle it, I am not sure. I wonder if we could not have legislation, if we can get up to the one-third Federal share based on the state's last allocation during the fiscal year, and, for example, if the State goes up this one year, then the Federal Government's one third will go up.

If the State goes down, then the Federal Government's one-third goes down.

It is just a simple sort of solution, but what you suggested, does zero in on it. But what techniques you would use to measure these things, I think provides almost a magnanimous type of situation, as some people said.

We have more data now than we had at the time with those cases —

Mr. Ford. The basic problem there involves, that Federal legislation ought to transfer to the State, some State agency, the determination of how the money will be distributed within the State, and I submit that will not pass the Congress.

Mrs. Carey. The State should pass the funds out in accordance with the U.S. Constitution, as they are mandated. The language just makes the requirement more explicit in the field of education.

He is not imposing, he is not writing a formula. He is not saying blind kids must get more than other kids, or kids at this poor level get more than others.

He is just setting a general standard. I do not think that would be terribly far-a-field from what title VI tries to do with regard to racial impact in handing out funds. I would be for a flexible kind of standard, that would not get tied into specifics.

If we tie into specifics, we may get stuck on figures that are too low, and then between that time and say 10 years later, you have to keep passing legislation.

If you take Mr. Hatter's suggestion, I think that is more sensible.

Mr. Ford. Well, I take it you would give the Governor of Mississippi and the Governor of Alabama their funding and trust him to use it for the purposes we determine to be used on socially equal basis.

Mrs. Carey. Well, I think that perhaps that is not the exact phrase that you would want to accept in the end, but something along that line.

It may be possible to enumerate the kinds of factors that should be concluded, or you might want to require the Secretary of HEW to write regulations.

I think some kind of flexible standard would give you what you want.

Mr. **Ruvoldt.** Perhaps instead of using socially, you can use educational.

What you want to do is have educational weighting.

Mr. **Quie.** Mr. Ruvoldt, it seems to me you are saying, that each child should be provided an adequate education by means of a fixed amount, but the Federal Government should not try to provide it all.

We should set a basic sum, that should be made available per child, to suggest $400.

Do you suggest that be made available to the State, then for distribution among the students, according to their needs for adequate education?

Mr. **Ruvoldt.** I am suggesting a role for the Federal Government is to be a minimum level. That could be made to the States, or to the principals of the schools, for all that matter.

That could be an equal dollar, because you are guaranteeing a minimum.

Beyond that level, however, the State role I believe begins to function to providing something more than just a minimum education. I suggest that is where we have to begin to account for the children.

Mr. **Quie.** What you are talking about then is a minimum, but that would be not adequate for the disadvantaged. Would you say that we ought to leave those things up to the States, and the Federal Government should provide a basic amount of equalized aid and give the State and local community responsibility to provide an education?

Mr. **Ruvoldt.** One, when we deal with normal children, we speak in terms of average expenditure per pupil.

We speak of the sixth grade, in an average educational environment, the $400 expenditure, which I am suggesting is a minimum guarantee for a minimum education. I think the Federal Government should be involved, specifically. Not only the educational problems of the normal, but as well with the physically disadvantaged, the gifted. I would like to see more Federal money involved in these programs.

Mr. **Pucinski.** The point you made, we ought to have sort of a regional adjustment, I have always avoided that.

I think you can have a national standard. I have suggested a floor of $1,200 as an absolute minimum.

Now, people will say, do you need $1,200 in the foothills of Appalachia.

You better believe it, you need it. Perhaps you need it more than in the inner city of Chicago there. As Mr. Selden said here, the compensatory education, and education of children with all sorts of problems is always more expensive, but we take the position too often in the Congress, where because of the standard of living is low in the community, we try to gear our programs to that standard.

We have that same problem with the welfare program.

They say you ought to have a national base, and a national standard for Appalachia, because it costs less in Appalachia.

The reason is why you have poverty in Appalachia is for a hundred years we have taken that attitude.

We have never pumped any significant money into Appalachia to bring it up to standard, and whether it is in Louisiana, or in the foothills of Appalachia, or whether it is in the heart of New York City, we could use that standard.

Mr. RUVOLDT. I believe there are differences that must be accounted for. I believe taking a nationwide average will have a tendency to bring us in on the low end of the scale, rather than at the midpoint of the scale, where we should be. I think if we, in any formula that is devised, account for not necessarily "historic" differences but cost differences.

I firmly believe, even within our own State, that in northern New Jersey costs are higher to provide some services than in the southern area of New Jersey. I am sure that is true across the country and not from history.

I am not suggesting we should pull everyone down. I am suggesting we should account for that difference.

Mr. QUIE. One other question I have of the panel, and it relates to intra-district disparity. Did that come up in any of your cases, or was it only the disparity between districts within the State?

Mr. BROWNING. That is sort of the second step. Once you get the States to hand out money to the school district in an equitable fashion, you will still be left with tremendous intra-district disparities. I think the most positive thing on the horizon to correct these disparties are the new "comparability" requirements for school districts receiving money from the Federal Government's title I program under ESEA, 1965. Before "comparability" was required, there was no way to compare per pupil expenditures among different schools in any given school district. However, with the new comparability requirements which are enforceable July 1, 1972, school by school expenditure data is available, and it can be used to insure that title I money can not be spent in any school district until the per-pupil expenditures among the various schools within the district are comparable. In short, only then will disadvantaged pupils have the opportunity for truly compensatory education within school districts.

I would like to say something more about the concept of comparability. In these hearings today, most of the attention has been placed on the relationship between intra-state school finance disparities and proposals for special revenue-sharing programs for education from the Federal Government. I think it is appropriate also for the subcommittee to focus its attention on existing categorical education programs, administered by the Federal Government, particularly as they relate to the concept of comparability. That is to say, there is no reason why statewide (as opposed to districtwide) comparability requirements could not be attached to all Federal programs for education. The use of this new kind of comparability requirement could be of substantial assistance in correcting inter-district disparities within States.

Let me give you an example of what I am proposing. In Texas, the two areas of where the main focus of the *Rodriguez* suit were the Alamo Heights and Edgewood School Districts. These two school districts are situated virtually next to each other. Yet, Alamo Heights spends $540 per pupil as compared to Edgewood's $356 per pupil. Roughly 30 percent of Edgewood's total school budget ($108 out of $356 per pupil) comes from Federal funds. Alamo Heights, on the other hand, receives only $36 per pupil, which is substantially less than 10 percent of its budget. I suppose that a substantial portion of these funds comes from the ESEA title I program. Presumably then, the primary reason these funds are being given to the different school districts is to provide their disadvantaged students with compensatory education. One might assume, therefore, that when you give huge sums of Federal moneys such as those being given to Edgewood for compensatory education, disadvantaged children in Edgewood will have substantially more money spent on them than is spent on nondisadvantaged kids in neighboring Alamo Heights. Such an assumption, however, is absolutely without foundation. That is, kids from Edgewood, even with the additional title I moneys, have less spent on them than is spent on Alamo Heights pupils. Does that make any sense, as a policy matter? Can anyone here today really say that a disadvantaged San Antonio child who happens to live in Edgewood is truly being compensated for his disadvantages, when less is being spent on him than on nondisadvantaged kids from San Antonio who happen to reside in Alamo Heights School District? I say no on both counts. In short, I believe that, if Federal policymakers want to provide compensatory education in a very real sense, they have to require comparability in per pupil expenditures throughout a State, and not just within its individual school districts.

Now, I will qualify that proposal with a good point made by Mr. Ruvoldt. That is, comparability should be measured by educational offering, and not by dollars spent on education. That is, to the extent that one can demonstrate that offering costs differ among the various school districts within a State, these differences should be taken into consideration when formulating the amounts of Federal funds to be distributed. That would be true, for example, where it can be demonstrated that land for schoolbuildings has different prices, or that salary scales among a State's school districts differ substantially.

Mr. Ford. Do you say they use this rationale as a defense in the lawsuit, or do they actually take into account the distribution of State funds, the amount of Federal funds coming in under such programs as title I?

Mr. Browning. They use this as a defense throughout. By reading the *Rodriquez* opinion, one can easily see that the State of Texas never could understand that they could not count Federal money when comparing the per pupil expenditures among the various school districts.

Mr. Ford. You did not mean to say that Texas is counting Federal money in deciding how to distribute State money?

Mr. Browning. No. Are you thinking about impact aid?

Mr. Ford. No. We have a litigation going in Massachusetts, and that is the only State we have not been able to nail down, but it took us several years, but it was our intention in writing the legislation, that they would not be ineligible for the receipt of funds if they took the program such as title I into account in making distribution of State funds.

It has been my impression they should automatically become disqualified from receiving title I funds for the entire State if they do as you said, and if that is the case, then we better do something about the law.

Mr. Browning. I don't know. All I know for sure is that the attorney general of the State of Texas, in defending the *Rodriquez* suit, argued that the court should consider Federal funds as a part of the total expenditures. Whether or not he was speaking for the superintendent of education of Texas who administers the program, I cannot say, but it is worth examination.

Mr. Pucinski. Well, Mrs. Carey, gentlemen, I do not know if you have anything else to add. You would be perfectly welcome to do it, but I must tell you, I am so tremendously impressed with your testimony today, that you may not be aware of the fact, that this might very well be perhaps the most important testimony we have had before this committee, because you have brought before the committee an explanation of a new challenge that we have to deal with, and I am impressed with your tremendous knowledge of the whole spectrum of educational problems.

You are young, but your youth deceives your great knowledge and expertise in this field, so I am very grateful to you.

It appears to me, from listening to your testimony today, that some legislation in this field is now inevitable. We must move expeditiously.

I hope that the President's Commission will make his report, hopefully by the end of this week, and then I hope the administration will come in with their bill, so that we can proceed, and we will move as expeditiously as possible.

I would like to enlist your assistance as we move along, and keep an interest in what we are doing in this field, because you may have suggestions or comments, and we would be very, very grateful to hear from you.

It is obvious to me, with your expertise, and background knowledge, we can hammer out a very good bill, and one that will do the job that has to be done, so I am grateful to you for being here.

I want to thank you on behalf of the whole committee. You have made an enormous contribution today, and I don't think you fully realize the magnitude of your contribution.

Thank you very much.

We will recess until tomorrow morning at 9:30 a.m.

(Whereupon, the hearing was recessed at 1:25 p.m., until Tuesday, February 29, 1972, at 9:30 a.m.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

TUESDAY, FEBRUARY 29, 1972

U.S. HOUSE OF REPRESENTATIVES,
GENERAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2175, Rayburn Building, Hon. Roman C. Pucinski, chairman of the subcommittee, presiding.

Present: Representatives Pucinski, Mazzoli, Quie, Ford, Meeds, Bell, Peyser, Forsythe, and Vesey.

Staff members present: John F. Jennings, counsel; and Charles W. Radcliffe, minority counsel for education.

Mr. PUCINSKI. The committee will be in session.

We are very pleased this morning to have our colleague, Congressman Frank Horton, to introduce our first witness in the continuation of hearings on financing of elementary and secondary education.

There is no question that this is a serious problem across the country.

We had excellent testimony yesterday from a panel of attorneys who spelled out in great detail the status of the various lawsuits across the Nation, challenging the present system of financing education, which places a large burden on local property taxes, with the courts holding that such reliance on local resources produces unequal educational services.

This morning we are very pleased to have State Senator Thomas Laverne, chairman of the education committee of the New York State Senate with us, and I would like to recognize our colleague from New York, Congressman Horton, for the introduction.

STATEMENT OF HON. FRANK HORTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. HORTON. Mr. Chairman and members of the committee, first of all, I want to express as I have done on numerous occasions, my deep respect for the Education and Labor Committee of the House, and more particularly for this subcommittee, and for your leadership, Mr. Pucinski.

As you know, I have been very deeply interested, I think most Members of the House are, in the problems of education, and under your leadership and leadership of the other members of this committee, and the leadership of the chairman of this great committee, I think we have made some major strides forward to solve these very difficult problems of education.

I am very pleased and very honored this morning to have the opportunity to introduce to your subcommittee, a very close personal friend of mine.

I have known Thomas Laverne for many years. As a matter of fact, since I first went to Rochester since 1947, he has represented me in the State senate, he served there for some 12 years, and during that time, he has exercised a leadership role, not only in this field of education, but in many other fields.

As you mentioned, he is the chairman of the State senate education committee, he is a member of the Fleischmann committee, which has just made a very comprehensive study of problems of education in the State of New York.

He is here testifying as chairman of the National Education Finance Task Force, which is the task force of the National Legislative Conference.

He is also chairman of the Joint Legislative Committee on Metropolitan and Regional Area Study.

With this background, I think you can certainly be aware of the fact that he is one of the leaders of the State of New York in this field of education.

I am very pleased and very honored to introduce to you, my close personal friend, a man who, I think, stands very high in the field of education in the State of New York, the Honorable Thomas Laverne.

I wish I could stay with you, Mr. Chairman, but I do have to go to another meeting.

I will turn him loose on you. I hope you will treat him with the great dignity you have always treated other witnesses, and I am sure he will give you and your committee some very interesting thoughts with regard to this problem we are all concerned about.

Mr. PUCINSKI. Thank you, Congressman.

Before I call on Mr. Laverne, perhaps our colleague, Mr. Peyser, will want to add something by way of introduction.

Mr. PEYSER. I appreciate the opportunity, and I also want to welcome our distinguished senator.

I am always glad to see somebody from the State of New York here, particularly testifying on this critical issue.

The senator has many achievements, but I will not hold up your testimony, except to welcome you here.

Mr. PUCINSKI. You may proceed in any manner you wish.

I know that New York has recently had the Fleischmann report prepared and issued, and that report was alluded to yesterday in the hearings, and we will be very happy to have you proceed in any way you wish.

STATEMENT OF SENATOR THOMAS LAVERNE, CHAIRMAN OF THE EDUCATION COMMITTEE OF THE NEW YORK STATE SENATE

Mr. LAVERNE. While I am going to direct my attention to three bills, which I was told was the subject matter of this inquiry, H.R. 7796, H.R. 6179, and H.R. 12695, I will not read the statement, but I will present it to the committee with the hope it will be incorporated into the record of this hearing as if I had read it in full.

Mr. PUCINSKI. Your statement will be incorporated as read.

Mr. LAVERNE. Thank you, Mr. Chairman.

I am Thomas Laverne, chairman of the Task Force on School Finance, National Legislative Conference, chairman, Joint Legislative Committee on Metropolitan and Regional Area Study, chairman, New York State Senate Education Standing Committee and member of the Fleischmann Commission.

I was invited here to testify on behalf of the National Legislative Conference on three bills now before your committee: H.R. 7796, the "Education Revenue Sharing Act," H.R. 6179, the "National Partnership in Education Act" and H.R. 12695, the "Quality School Assistance Act."

In my testimony today, I want to emphasize the following points:

1. The regressiveness of the property tax and the need for Federal assistance in abolishing it.

2. The desirability of full State funding.

3. The immediate need for Federal revenue sharing.

4. Some recommendations with respect to a possible amalgamation of the most desirable features of these three bills.

My capsulization of the three bills are as follows:

H.R. 7796 appropriates $3 billion. It removes all categorical grants and brings into play a new formula.

Briefly, we do not feel that the appropriation is sufficient nor can we concur with the proposed distribution between the States and within the State.

We do, however, concur with the proposal to consolidate the 34 existing programs.

H.R. 6179 proposes a rate of assumption of cost over a 3-year period, continues existing programs but creates a new program.

The formula is based on the adjusted number of children in the school district taking into account the poor children, State and local tax effort as well as per capita income.

H.R. 12695 makes special provision for districts with large concentration of students with low income and provides for construction and modernization of overcrowded and obsolete conditions. The rate of assumption is higher than 6179.

H.R. 6179 would provide the greatest amount of Federal funds for the State of New York.

These bills represent some of the best of the recent expressions of concerns in educational finance. A combination of various provisions of these bills can remove the patchwork administrative morass that has plagued some existing programs.

At the same time, the bills cause the Federal Government to assume its proper role in sharing the responsibility for education of the children in our country, through revenue sharing.

Generally, I support these bills.

The proposals here have been discussed and recommended by the National Educational Finance Project studies, the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education, the Advisory Commission on Intergovernmental Relations, the Education Commission of the States and many other groups addressing themselves to the financial crisis in our public schools.

Over the years my legislative responsibilities have required me to be vitally interested in school finance.

As Chairman of the Joint Legislative Committee on Metropolitan and Regional Areas Study for the past 7 years, I have been made very much aware of the plight of local governments in trying to meet their responsibilities by local taxation—especially in trying to support their schools by dependence on an overburdened real estate tax.

The basic objectives of Federal revenue sharing will make it possible to implement the recommendations that the state take over the total cost of financing of education and relieve real estate of some of its tax burdens for the support of education.

Without going into the usual arguments to substantiate this point, I might say that the achievement of this objective will result in the removal of one of the greatest single inhibitions to good land-use and planning, one of the greatest obstacles to proposals in housing, urban renewal and transportation.

We have found that the largest single factor in deciding on proposed land uses is the impact of the proposals on the real estate tax, especially for the support of education.

These bills will take the "children out of zoning and planning."

We will then be able to sell the idea of housing allocations. We will be able to build housing where jobs are, to relieve the strain on transportation facilities. By relieving the property tax burden, we will open the way to progress toward national goals in other fields.

While there is general agreement that States should take over the total cost of school finance and that the real esate tax burden must be reduced, it is impossible to accomplish this without substantial involvement on the part of the Federal Government.

The Fleischmann Commission has recommended that the State take over the real estate tax base on a statewide basis for the support of education.

The achievement of this desirable objective would be impossible without the concurrent infusion of Federal funds for the support of education, which would relieve the real estate tax.

In making school finance heavily dependent on the local real property tax base, we have tied a massive function to an overburdened tax base.

One of the main functions of education is to redistribute social and economic opportunity, to give to all our young people the preparation they need for life, to help them make the best possible use of their talents.

Yet we have made this function dependent on a tax base which covers small areas with unequal tax ratables so that the quality of education must be unequal.

Education is a national concern, but it has in fact been made dependent on a system of finance whose side effects conflict with a host of national goals.

We are striving for integrated housing. But our method of school finance reinforces the tendency of the housing market to segregate by social and economic class.

We have combined two elements which reinforce each other toward segregation. As the property tax increases, the effect is heightened.

Then, paradoxically, we expect the schools to solve the segregation problem.

We want jobs to be located near housing. Yet the property tax burden leads suburbs to play the "zoning game," vying for the net gain in revenue which comes with commercial and industrial centers, but keeping out large-family housing for those who would work in those centers.

The growing mileage gap between jobs and housing strains our transportation facilities.

Last year, I was named chairman of the Senate Committee on Education. This gave me added responsibility for leadership in policymaking for our State's school system.

The difficult task of getting funds for the schools has emphasized for me the fact that the strong dependence of that system on the local property tax is now resulting in chaos for the schools as well as for urban development.

Besides having to cope with a "zero-growth" budget at the State level, we face a taxpayers' revolt in the rising frequency of defeats of school budgets and school bond issues.

We cannot afford not to change a tax system which penalizes the education of our young people.

The Fleischmann Commission has documented the inequity of the property tax burden and the widely varying levels of expenditure among school districts.

The varying burdens of taxation for school costs means that a "poor man in a poor district must often pay more local taxes at higher rates for the inferior education of his child than the man of means in a rich district pays for the superior education of his child."

We cannot afford to let educational quality be a function of that sort of tax base.

This problem is one which New York shares with other States. The *Serrano* case leads in pointing to the necessity for change.

To resolve the conflicting trends of raising school costs and resistance to increases in the property tax, the Fleischmann Commission has recommended that the State undertake full State funding of school costs; the responsibility for raising "all or practically all of the money to maintain and support public elementary schools except for that amount of money which the Federal Government shall contribute would become a State function."

The move to full State funding is supported also by the national educational finance project, headed by Professor Johns, and the Advisory Commission on Intergovernmental Relations.

According to all indications, the President's Commission on School Finance is going to make the same recommendation.

State assumption of the local costs related to schools is absolutely necessary if the required level of funding for schools is to be attained, and if the inequities and side effects of the real property tax are to be eliminated.

But it will be difficult to go from the recommendation to implementation.

The States need Federal help to adopt this kind of solution. The States are in a financial crisis. To a great extent this is due to the sharply increased costs of welfare and education, increases which stem from national causes. A significant portion of the increase in New York is due to in-migration from other States.

Education is already the largest single item in State budgets. If the States are to assume the part of school costs now covered by the local property tax, Federal assistance is required.

In New York, we recognize the need for full State funding. But we also recognize that the transition would be difficult.

The Fleischmann Commission noted that if a State is to move in this direction on its own, it might be "forced, through necessity, to slight other social welfare activities, such as health, low-cost housing, and the more progressive programs of public assistance."

This would involve cutting back on social services which are strongly related to the school performance of disadvantaged children.

Unless the Federal Government helps the States, the States will not be able to find a workable solution.

Regardless of the progress of full State funding, the States badly need Federal assistance now.

The extent of the financial problem can be seen clearly in a look at some tax statistics.

A 23.5-percent tax increase would be needed in New York to support a 90-percent takeover of school costs.

Yet New Yorkers already pay, based on 1968–69 data, $576 per capita in State and local taxes, the highest dollar amount of State and local taxes nationwide, against a national average of $380.

The income tax, more responsive than any other tax to growth in the economy, has largely been preempted by the Federal Government.

While State and local costs have surged past Federal costs, Federal revenues have been growing faster than State and local revenues.

This "fiscal mismatch" must be corrected. Without a substantially higher level of Federal aid, the average State would have to raise its revenue collections by 31 percent to cover 90 percent of the cost of the schools, according to a study by the Advisory Commission on Intergovernmental Relations.

New York, already making a high tax effort, would have to raise its taxes 23.5 percent. Substantial Federal funds are thus required.

The national educational finance project recommended that the "public schools should receive at least 22 percent and preferably 30 percent of their total revenue from the Federal Government."

The Fleischmann Commission recommended a comparable level of Federal aid, 25 to 30 percent. The Advisory Commission on Intergovernmental Relations calls for "something on the order of 25 to 40 percent."

The present low level of 7 percent nationally and 4 percent in New York does not correspond to the national interest and the national responsibility in education.

Substantial reliance on State taxes to support education is not realistic. There is a competitive struggle among States to keep their taxes low in comparison with other States.

If a State's taxes go comparatively high, it will discourage commercial and industrial development.

The Fleischmann Commission noted that New York is already "threatened by a large-scale relocation of corporate headquarters to other States, and corporate and personal tax rates have certainly been a factor in these moves."

To make it possible for the States to undertake full State funding for the schools, therefore, Federal help is needed both in making this task manageable for the States and in providing incentives for improving the property tax base.

The increased Federal funding that this would require must be designed, however, to improve the quality of the schools, particularly in urban areas.

In urban areas, the great inequity lies not only in the fact that cities spend less per pupil than suburbs spend for the education of students.

It lies in the fact that the cities have a far higher proportion of educationally disadvantaged pupils who need more concentrated and expensive programs if they are to get the education they need.

If equal opportunity in education means that resources should be allocated in proportion to educational need, the cities—with their higher proportion of the poor, the physically and mentally handicapped, and victims of racial discrimination—lag far behind their rightful level of educational services.

ESEA title I and State urban education funds have over the last decade begun to relieve city-suburban disparities. At the same time, however, teachers hired to assist innercity children are generally less experienced and new to those districts.

What compensatory spending and staffing has in fact accomplished would therefore be less than statistics would indicate.

The central cities have for decades been the recipients of families with educational disadvantages.

They are increasingly becoming centers of frustration for low income and ethnic minority families with children.

Students and families who present special learning problems and whose education requires more resources of teaching and counseling time and special programs to compensate for environmental disabilities are presently disproportionate in city populations.

The Fleischmann Commission found that 77 percent of New York State's nonwhite population (Indians, orientals, and blacks) live in New York City. Blacks account for 90 percent of the nonwhite population. Funding formulas should be weighted for this need.

Cities pay higher prices for educational goods and services. Land acquistion costs, insurance rates, vandalism expenses, and nonprofessional personnel costs all reflect higher costs of living in central cities.

Teachers' unions have increased urban salaries at a faster rate than those in outlying areas; the competition between them and public employee unions in noneducational services has increased the burden on municipalities.

The tax dollar in cities must support a far heavier burden for noneducational services—police, fire, transportation, courts.

Generally cities can devote but 30 percent of their expenditures for educational services to children and families, while suburbs generally reach 50 percent for educational costs. These problems must be recognized in any bill. All three bills have slightly different approaches to the problem.

Let us now turn to the three bills in question. As I said in my opening remarks, each of these bills has desirable features.

In H.R. 7796 consolidation of the 34 different programs is desirable.

The proliferation of Federal legislation, regulation and administrative procedures has required additional staff personnel at all State levels.

The consolidated approach makes for a coordination of programs responsive to the needs of the children in the communities.

I hope that you will give a great deal of thought to the absolute necessity of consolidating programs.

I have discussed this matter with members of our department as well as many local school districts and I can tell you that they would all be most appreciative of your reorganization of this phase of revenue sharing.

The formula contained in this bill, however, does not concentrate the aid in the areas which, in my opinion, require it the most.

H.R. 6179 contains a programmed assumption of cost, 10 percent in 1972, 20 percent in 1973, and 33⅓ percent in 1974, which is desirable, but continues existing programs under title I.

The formula and distribution does take into account the number of poor children, the State and local effort and the average per capita income within the State.

H.R. 12695 contains a very desirable provision for aid to districts with large concentrations of students in low income families and for special aid for construction and modernization in overcrowded areas and obsolete facilities.

Its rate of assumption, 20 percent in 1972, 25 percent in 1973, 30 percent in 1974 and 35 percent in 1975 is more generous than that in H.R. 6179.

I would hope that you will consider favorably the special provisions from H.R. 12695, the "Quality School Assistance Act," for districts with large concentration of students with low income and for special aid for construction and modernization.

These provisions are of the greatest importance. I would also hope that you would consider favorably the rate of assumption level proposed in that bill.

I hope that the final bill, which will be worked out, will contain the following:

1. A sufficient appropriation to do the job with assurance of continuation of programs at a qualified rate (at least $4 billion);
2. A provision to make the aid general in nature but tied to a formula based on low income and high concentration of students (H.R. 7796);
3. A formula which will weigh the amounts allocated in favor of tax effort, low income persons, overcrowded areas, the disadvantaged and the handicapped (H.R. 6179);
4. A special appropriation which will assist in construction and modernization in urban areas (H.R. 12695); and finally
5. A special appropriation to assist the States in the transitional steps in moving to full State funding.

The reason for my taking a more informal approach is that the ramifications of the subject matter go beyond these bills. These bills, in my judgment, represent merely some of the thinking, some of the many ideas on this subject matter which should be implemented.

These bills are supposed to implement some of the things we have all talked about for many years.

I am going to follow a general outline, covering the subject matter generally, and giving a very thumbnail opinion as to our feeling about these respective bills. I intend to refer to the Fleischmann Commission report and some other study reports, which I unfortunately have only one copy of. If there is interest on the part of the general committee, after the staff has had an opportunity to look at them, in having more copies I would be very glad to furnish them in quantity.

Of course, the main concern here is the effect of the *Serrano* case, and what is involved there. Aside from the consideration of the *Serrano* case, many of us have been aware of the fact that real estate tax base for support of education is one of the poorest. It is one of the great problems of education, particularly in trying to maintain financial support on a tax base which falls so heavily on people who actually cannot see the relevancy of the tax to the service.

It is a regressive tax, most of us have agreed with that conclusion. The general conclusion among all studies, and I am going to name several, is that we must first of all phase out the real estate tax as soon as possible; second, we should do this by the State taking over the responsibility for school finance; and, third, the Federal Government and the Congress, have a great responsibility in making this possible through Federal revenue sharing of one sort or another.

Now, the national education finance project, which was funded by Congress, and which is known as the Johns Commission, I commend to your review.

The conclusions are excellent, with reference to school finance.

Mr. BELL. Mr. Chairman, may I interrupt the witness?

Senator, you stated that the real estate tax should be eliminated as much as possible.

What alternative proposal do you have to pick up the necessary revenue?

Mr. LAVERNE. I am getting to that. I am just laying the groundwork.

I would urge a review of what the Johns Commission report says. Their view was that it should be replaced by a more progressive tax, but again, they very clearly state that the only way that this could be done is with a substantial infusion of Federal funds. The magic percentages have varied from 22 to 35 or 40, depending on which report you read. The balance in revenue needed after you phase out the real estate tax by including Federal funds should be gained by substituting, at least from their point of view, a more progressive tax. They obviously favor the income tax.

It has been my feeling personally, and the feeling generally of the Fleischmann Commission, that the best we could hope for, even with a substantial infusion of Federal funds is a reduction or stabilization of the real property tax with an equalized assessment and a uniform rate throughout the State.

Mr. BELL. Would you consider a value-added tax?

Mr. LAVERNE. No, not on a statewide level at all. I am talking about the continuance of some part of the real estate tax. Even with the infusion of all other moneys, it would be impossible to make a complete substitution, unless you go to either using the existing sales tax, or the fancy sales tax, known as value added, or the income tax. We have not gone that far.

Right now we are dealing with the initial problem. I now refer to the Fleischmann Commission formula. Again, they come to practically the same conclusion, the State should take over the total cost of financing. The State should first take over the real estate tax base, which is no small burden, regularize that and equalize it. This means an assessment problem, which all of us know is a very difficult political matter to handle.

Unless you use a local substitute of income tax, value-added tax, or sales tax, we are obviously going to have to look to substantial infusion of Federal funds. The Fleischmann Commission makes the same conclusion that the Johns Commission does, that the Federal Government should assume up to 25 to 35 percent of the total cost of primary and secondary education, and that Federal funding should be part of the means by which we phase out the real estate tax.

The Advisory Commission on Intergovernmental Relations comes to exactly the same conclusion, except, happily, they suggest that perhaps it should be more than 35 percent. They also talk about general revenue sharing in their recent report, which I commend to your review. The Education Commission of the States, which I am a member of, has also been trying to promote these concepts.

The concepts and fundamental objectives have been very similar in the various reports, but the methods proposed for implementing them have differed.

Now, we are proposing here one method contained in these bills.

With reference to H.R. 7796, my view is very simply that the principle of combining a lot of categorical grants to a more simplified means of transferring funds, a more general revenue-sharing approach, for education is admirable, providing it does not work against the States that need it most. The formula proposed in this bill would discriminate against New York State to the extent of several hundreds of millions of dollars. It is my recommendation, if this is the route you are going to take, that at the very least you consider the State of New York, so that we will not have to cut back on the programs we have been running.

I would say that, as in many other revenue-sharing programs of late, the local effort factor ought to be considered. Then we would not really rely solely on Federal resources, in terms of supporting necessary services, whether it be general revenue sharing, or educational revenue sharing. Revenue sharing should be related to the willingness of groups to tax themselves.

I realize that New York State can make this proposition from a point of great advantage, because we have outtaxed most States in every department. We lead in those areas, and, therefore, we benefit from a consideration of local effort. But I do think that the Congress would make a serious mistake if they did not implement this kind of concept in all revenue sharing.

Mr. BELL. Are you saying that due consideration should be given to districts according to the total amount of tax they pay on all things, not just education tax?

Mr. LAVERNE. That is right, on the total tax effort they make to support the service.

Mr. **Bell.** It could not be based on just the amount they put into education, but it has to be based on the amount they are taxed on other things.

Mr. **Laverne.** If you are directing money to a particular service, it might be possible to say, "Let's see what they are doing for themselves."

The difficulty there is that general revenues are collected, and then the services supported. The source of revenues are not clearly traced to services supported.

This is a matter for technicians to work out, but the concept of having a weighting in favor of local effort is terribly important.

In the State of New York, in many of our local benefit programs, and over 65 percent of our total budget does go back to local aid, we rely on local effort. We react to this in terms of making funds available in almost every case. I think that if that factor was introduced in H.R. 7796, it would perhaps eliminate the need for "save harmless." Nevertheless, in my judgment, that bill has a great deal of merit in principle, and should be implemented.

Mr. **Pucinski.** That bill, the so-called special revenue-sharing bill, merely tries to make the existing programs a little more efficient. It does not carry any substantial additional money.

Mr. **Bell.** Such sums as are necessary.

Mr. **Pucinski.** If my colleague from California will recall, when the Commissioner of Education reported to the committee, he did admit that this particular bill would not provide any substantial or meaningful new financial resources to the school districts.

What it would do is try to make existing programs more efficient, and the new funds that are provided in that bill are merely to assure that in the transitional process, there would be no cutback in existing programs.

Now, it seems to me though, Senator, I am anxious to see you get to this point, the State governments are now putting up some 40 percent of the cost of public education.

The local governments are giving about 53 percent, while the Federal Government only pays about 7 percent.

Mr. **Laverne.** Four percent for New York.

Mr. **Pucinski.** Nationally we figure 7.

However, the Federal Government collects 64 percent of all of the taxes in this country. State governments collect about 19 percent, and local governments collect only about 17 percent.

Mr. **Bell.** Although I agree with much of what the gentleman said, you must recall that the Commissioner was referring to just the 1973 fiscal year.

It could be expanded the other years.

Mr. **Pucinski.** I believe when my colleague carefully studies the bill, he will find, whether it is 1973, or 1975, or 1974, the so-called open-ended authorization is to maintain levels in the existing programs which are being restructured.

It does not address itself to the fact that the Federal Government is now giving only 7 percent to the cost of education, when it should be paying at least 33 percent of the cost of education, and the legislation that we are studying now before this committee would indeed relieve the local community by bringing down the 53 percent that it is now paying, which would bring it down to roughly 20 percent.

Our strong feeling is with that kind of one-third, one-third, one-third approach, the Federal Government is providing one-third, the local government one-third, that would then assure equal educational opportunities.

Now, I was stating yesterday, and I will ask you for a response to it, that a uniform amount of money spent on every youngster in New York State would not necessarily guarantee equal educational opportunities, because many children's educational needs are greater than others.

It is for this reason that we view the revenue-sharing proposal before this committee, and the preservation of title I, and the preservation of Emergency School Act as a continuing and ongoing program, to provide that additional funding that is needed for special programs, your bilingual programs, your vocational education, programs for children with learning disabilities.

All of these have been carefully designed over the years to meet a specific educational need. We do not propose in any way of disturbing these programs. They will continue to serve.

What we are asking for here is a fundamental one-third based in general operating expenses, like the impact program.

By that principle, every child in the country, and that really is the gist of what we are doing here before this committee——

Mr. LAVERNE. I recognize that exactly, particularly in the other two bills, two proposals for a phase in of general-revenue sharing for education. Both of those bills in my judgment are grounded on what the Fleischmann commission and all of the other educational commissions have striven for for years, a substantial involvement of the Federal Government as a partner in the education of our children.

It is an absolute fact, and the Fleischmann Commission makes it quite clear, that equal spending for each child will not guarantee equal opportunity, because special educational problems require special attention. Even under our State formula of redistribution, we recognize a weighting for those in our educational system identified as having problems, either because of socioeconomic problems, or because of physical handicaps.

So while the *Serrano* case talks about compensation for equal resources, I don't think it means the same amount of dollars for each student. It means you have to spend as much as necessary on each student to give him equal educational opportunity. For all students in similar situations, you would expend the same amount generally.

I recognize your objectives in H.R. 6179, and H.R. 12695. I commend the committee for serious consideration of either of these bills, or similar bills in order to make it possible for the full State funding recommendation of the Fleischmann committee to be achieved. It will never be achieved pragmatically unless we can get some new money in the form of revenue sharing as proposed in either of these bills. To equalize the real estate tax burden on a statewide basis will involve a new definition of true assessment. When you do that, and apply a uniform rate, you are going to get some taxpayers paying more, and others paying less, depending on the real estate wealth of that particular district. From a practical point of view, I see absolutely no chance, without some substantial infusion of Federal money of that being achieved. That is why these bills are so vital. The Fleischmann commission's proposal, the John's commission proposal, and that of the education commission of the States, and all the others, without substantial infusion of Federal funds would never be implemented.

Mr. PUCINSKI. When the Fleischmann commission recommends full State funding of public education, the fear that we hear expressed, I am just wondering what your views are, as to how you protect, is that when the State takes over the complete financing of local public education—the standards set by local school boards will be substantially altered.

The State will then for the most part dominate the decisions of the school boards. There is that fear here at the Federal level.

Mr. LAVERNE. There is that fear, but I do not think it is real.

Mr. PUCINSKI. They provide the money, and if the State provides the money and controls the districts entirely, this is why we provide a one-third, one-third.

We say to the whole community, you are not paying 53 percent for public education. We want you to pay only 33 percent, so that the whole community will continue to retain some semblance of control in terms of running the school system.

Mr. LAVERNE. The difficulty with trying to say that the localities must keep a direct involvement in financing, is that you cannot avoid the peril of the *Serrano* case if you do that.

What we should do is take over the real estate tax base, which is the local source anyway, regularize that, and then reduce it: but still continue that tax as part of the school finance picture. But it would then be a tax whose rate and assessment, because of equalization requirements, is regulated by the State. It could be collected on a local basis, and become the downpayment on an equalized resource of money.

Let me complete my thought here. Addressing myself to the *Serrano* case, I do not think it is possible to meet the requirement of that case of guaranteeing equalization if there is a local add on. This is possible if local government stays in the school financing business.

A local "add on" tax was discussed very thoroughly in the Fleischmann Commission. Some said why should not we allow local school districts to add 10 percent on, or 20 percent, or say 15 percent.

If you do that, you immediately violate the *Serrano* principle, assuming it is made the law of the land.

Now, addressing myself to the other side of the coin, if the State takes over responsibility to furnish the money, does that necessarily mean a transfer of great local educational decisionmaking power to the States.

Not one iota of power shifts, because of the transfer of that responsibility to finance.

In the State of New York, as in all of the States, it is a State responsibility to educate.

Even before the States started to participate in local aid 50 years ago, we had the power, and we have it now, to control education. But from the point of view of development of our educational system, while we have phased in almost 50 percent State support with 50 percent local support, there has been no transfer of decisionmaking power in terms of local decisions of the types of courses, hiring practices, the kinds of emphasis they may want in terms of content and methods and otherwise.

I see no risk of this, unless, like everything else, the power which has always existed in the States is exercised. I cannot imagine that anyone in his right mind, unless the local school district is absolutely bankrupt in terms of educational ability, will interfere with local control of the educational decisions.

Mr. Bell. Statistics often demonstrate that States have not always dispersed their educational funds in the best possible manner. Is it your position that definite guidelines are needed to insure the proper and most efficient expenditure of educational funds?

Mr. Laverne. I would have no objection to pretty general guidelines, but to start earmarking the money for special programs, I think would be a mistake.

There should be two facets of the support. One should be along the lines of the special categorical aid. Congress must recognize as it has, special problems in gigantic metropolitan areas, like New York City, Chicago, and other places. The other facet would be a general revenue program taking over a substantial share, even up to a third of the general revenues applied to education. The Federal Government can still stay involved in special grants for special problems.

Now, if you say would I object to some general guidelines, saying this money presupposes a system based on certain principles which are generally accepted, I would have no objection at all.

I think we could comply in New York with most of them.

Mr. Pucinski. Senator, my concern, with your State, with the local add on, if we are going to turn the financing over entirely to the State, that may very well be the way to go.

I don't know. If we are going to then say, we are going to spend an equal amount of money on each child, are we then not really kind of setting in a built-in national standard, that very well may stifle those communities that are willing to pay more for the education of their children?

What I am concerned about is to make sure that every child in this country has an equal opportunity at quality education.

He will get that quality education from the basic formula, of one-third, one-third, one-third, if that child has special educational needs, he will get additional funding in title I, and by other various programs that we have, but I wonder, and this is one of the problems we have here, we are going to have to be talking about, when we say we prohibit a local add on, are we not really saying then that we are denying incentive to the local communities?

Mr. Laverne. That is a risk. But I do not think that it is possible by any Federal program to control the amount local districts will be willing to spend on their own.

After all, I do not view Albany as too far removed from most of our State. I believe that we respond to local needs. I would certainly not favor any kind of a bill which says that we are going to give you $500 per pupil, providing you spend $500 per pupil, because I think we should be allowed, on a statewide basis, at least to keep up the standards that we have always maintained, and perhaps even improve on them.

What this will do, for the low-expenditure States, may be to encourage them to spend more.

That is why if the distribution formula is related to local effort, you will guarantee a greater effort by the localities, and then at the same time achieve what we consider to be a more adequate expenditure. But I do not think the objective in any Federal program should be to equalize the exect per-pupil amount spent in one State as against any other State.

I think that Federal funding should combine a fixed amount, on a per pupil basis, with an amount based on what we would be willing to spend, either on a State or local basis. It is possible to work out a formula where the local districts would stay in the business of financing, but their regular amount would be furnished by the State, so that local districts would have equal resources. But I think the *Serrano* case makes a local add on, at least within the State, illegal.

I do not see how you can do it, unless it is related to some special educational need.

Mr. Pucinski. I wonder if we could add Senator Mammenga so that between these two senators, we could get a cross section, so I will ask Senator Laverne to complete your statement, and then I will ask Senator Mammenga to complete his statement.

Mr. Laverne. The only thing I want to add to my statement is that there would be some side benefits from what we are talking about here, related to the achievement of national goals in other areas, that are absolutely magnificent. These side benefits would relieve problems in land use planning, housing, and many other areas.

The greatest inhibitor of good land use, good housing, and so forth, has been the concern for the number of children that would be brought in by any kind of development. I know in our State, as well as in other States, bad land use has been related directly to the real estate tax. If we separate the support of education apart from the real estate tax, or regularize that tax, so that a new project will have not an adverse effect on the local school tax, we will at the same time benefit our transportation objectives, our housing objectives, and other national goals. This is a dividend that would be absolutely beyond measure. It would remove the basis for local resistance to some of the programs that have been promulgated here but stifled on a local level. I wanted to add this to show that the impact of these ideas would be to help relieve other problems as well as those we specifically are concerned with today.

I am going to hand up for the staff's review the 1967 Report of the Joint Legislative Committee on Metropolitan and Regional Areas Study, and commend to their attention chapter 3 on this very subject, and also Appendix XI which is actually a separate supplement to the 1967 report that contains a very fine group of papers presented at a hearing in the city of New York.

These are research documents which ought to be available to you. If you need them in larger numbers, I will be very happy to furnish them.

I am also handing up the 1968 report of that same committee, pointing out, particularly chapter 4, which treats the very subject we are talking about. I would like to add to your research potential. I think some of this material could be very helpful to you.

In addition to this material, of course, I know that you have the Fleischmann Commission's report. The copies are becoming priceless now, but there will be a new printing. I will be able to furnish these in larger numbers, and if you request them, I will be glad to do so as soon as they are reprinted. I will hand you one copy, which includes only the first three chapters on school finance.

The second part of the report includes chapter 4 are on integration and busing, and chapter 5, on aid to private schools. These are not directly related to the subject matter at hand, so I did not bring the second section along. I could make copies of those chapters available. With that, I will turn the discussion over to my colleague, and then we will both submit to questions.

Mr. PEYSER. Mr. Chairman, I wonder if the Fleischmann Commission report might be made a part of our record.

Mr. LAVERNE. I certainly don't think it should be, unless you want to copy it into the record, but I would like the record to show that——

Mr. PUCINSKI. I thought we would take all of this material, and make it a part of the committee records, make it part of the committee staff's files, so that we can refer to it. But I would like to insert in the record at this point the press summary of the Fleischmann Commission's report. That summary will give us a good overview of the Commission's recommendations.

(The material referred to follows:)

PRESS SUMMARY OF THE FLEISCHMANN COMMISSION'S REPORT

New York State should be responsible for the full funding of public elementary and secondary education in order to assure that each student is provided equal educational opportunity and that the quality of his education does not depend upon the property values in the area where he happens to live.

This is the basic conclusion of the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education, which today recommended that the State Government abolish "basic inequality in educational revenue raising and expenditure" by assuming complete responsibility for funding the schools.

The Commission, which has been studying the matter for two years, said that "the responsibility for raising educational revenues belongs to the state," which can use various forms of taxation, whether "real property tax, income tax, sales tax, or any combination thereof," to do the job.

"The state's responsibility," the Commission said, "can no longer be avoided by leaving to each school district, the decision of how, and how much, revenue is to be raised."

At the same time, the Commission urged that substantial increases in Federal funding be provided for New York State schools as well as for the schools of other states. It pointed to the growing gap between state revenues and expenditures and concluded that only the Federal Government with its more elastic tax structure could be relied upon to offset state deficits and expand support for education.

Manly Fleischmann, Commission Chairman, released the first three chapters of the Commission's report, along with his foreword to the complete report, which will be issued in sections over the next several months. The first sections deal with the general state of elementary and secondary education in New York State, the need for new and centralized financing, and means of increasing Federal help.

The 18-member Commission said that its position on centralizing the funding of the schools "is not inconsistent with the Commission's desire to *strengthen* local control over many educational matters . . . (for) it is clearly possible to have centralized financing and decentralized policymaking." It urged that greater decision-making power be granted "to the local school, since it is the school, not the school district, that is the basic educational unit."

The Commission added that "local boards of education, too, should have more power to shape the ends of education in their districts under state assumption of educational financing, since the boards of education will have to spend less of their time in finding necessary resources."

"Full state funding," the Commission's term for the state's assumption of both the raising and distribution of funds for education, will undoubtedly mean higher over-all expenditures for education in the state, the panel said.

Theoretically, "the state could . . . raise exactly the same amount of money by state taxation that is now raised by the combination of local and state taxation. It would then redistribute this fund among the school districts on a formula that is fair and equitable to the children of every district," the Commission said. This would mean the "leveling up" of poor districts and "leveling down" of rich ones. The report points out, however, that leveling down in "any district is not a simple task and may involve problems of a legal nature because high-spending districts have fixed costs often based on contractual obligations. As a practical matter, full state funding is almost certain to produce more leveling up than down." Thus, the Commission concludes that full state funding will result in higher over-all expenditures.

Full state funding, the Commission said, would permit more effective controls over expenditures; it would allow improvement of the quality of the schools at a rate consistent with the growth of the state's economy; it would allow local boards of education, freed of the financing burden, to spend more time on purely educational matters, and it would eliminate "the present competition among wealthy districts for the most elaborate schoolhouse and similar luxuries."

In making the case for full state funding, the Commission pointed to the inequity illustrated by two Long Island school districts within 10 miles of each other—Great Neck and Levittown.

While the local property tax rate in each community in 1968–69 was the same—$2.72 per $100—and while Levittown received more money from the state than did Great Neck, the fact remains that school property taxes in Great Neck generated four times as much money per student than they did in Levittown. Thus, the Levittown student had $1,189.37 spent on his education while per-pupil expenditures in Great Neck amounted to $2,077.52.

In this illustration the Commission points to the identical tax rate of $2.72 per $100 in each community and says, "The typical household income in Levittown is considerably less than in Great Neck . . . (and) . . . it is reasonable to conclude that many families in Levittown were paying a greater proportion of their income as school property taxes while at the same time the Levittowners received substantially fewer dollars in revenues for education."

"It is repugnant to the idea of equal educational opportunity," the report contends, "that the quality of a child's education, insofar as that education is provided through public funds, is determined by accidents of birth, wealth, or geography; that a child who lives in a poor district is, by reason of that fact alone, entitled to lower public investment in his education than a child in a rich district. It is unconscionable that a poor man in a poor district must often pay local taxes at higher rates for the inferior education of his child than the man of means in a rich district pays for the superior education of his child. Yet, incredibly, that is the situation today in most of the 50 states, and that is the case in New York."

The Commission cited recent judicial opinions, such as those of the California Supreme Court (*Serrano* v. *Priest*), the United States District Court of Minnesota (*Van Dusartz* v. *Hatfield*) and the United States District Court in the Western District of Texas (*Rodriguez* v. *San Antonio Independent School District*), that grossly unequal expenditures per pupil within a State violate the Federal Constitution.

In its recommendation for full state funding of public education, the Commission sets forth general principles under which:

Costs of leveling up, which will be needed to rid the system of discrepancies in spending, could be spread over several years of state budgeting;

Equal sums of money would be made available for each student, unless a valid educational reason were found for spending some different amount;

Regional educational centers, now being developed throughout the state, can be used to help simplify the process of determining how much money is to be spent in individual school districts;

Statewide collective bargaining relating to salary schedules and pensions could produce regional salary differentials that would be recognized in the state's distribution formula.

With respect to the state's distribution of the funds, the report proposes a general leveling up. It recommends that the state school districts be ranked on the basis of their per-pupil expenditures. All districts ranking below the 65th percentile with respect to per-pupil expenditures would be brought up to the expenditure level of that district at the 65th percentile within three years; all those ranking above the 65th percentile would be allowed to maintain their higher expenditure levels with full state support. Expenditures of the high-spending districts, however, would not be increased until expenditures in the rest of the state's schools had risen to meet them.

In addition, the Commission "recommends that all local option for supplementary school levies should be terminated (because) such levies would inevitably become a point of bargaining between the state and local governments." Moreover, "existing disparities in per-pupil property valuation would give rich districts an indefensible advantage with respect to their capacity to raise the add-on amount."

Distribution of funds to a district would depend upon enrollment in the district rather than the current method of weighted average daily attendance. A related proposal would abolish the present weighting measures which count high school students at 1.25 and elementary students at 1.0.

The distribution formula would, however, be "weighted" to provide additional funds for children having demonstrable learning problems. The Commission's proposal would weight children with demonstrable learning problems in reading and mathematics at 1.5 in determining the amount of money to be distributed to a school district, while children with no such deficiencies would be weighted at 1. The Commission also recommends that most—"perhaps 70 per cent"—of the money for students with learning difficulties should go to the elementary schools of a district, and the remainder to secondary schools. This would assure that remedial funds be concentrated in the earlier years when they can do the most good. Funding of programs for handicapped children, debt service, school lunches, transportation, and regional programs under the Boards of Cooperative Educational Services would also be assumed by the state under the Commission's plan, but would be distributed through means other than through the basic formula. Contained in the report are tables which show how 36 New York districts of varying types would be affected under the formula. (See following pages)

The Commission's recommendations on how the state can raise the revenues needed for the plan call for a uniform-rate statewide tax on the full value of property, levied and earmarked specifically for education, and put into effect over a five-year period. The rate initially would be set to produce an amount roughly equal to current total local contributions to educational revenues. For example, the report says, a rate of $2.04 per $100 of full-value property assessment would generate some $2.84 billion in fiscal year 1972–73.

The Commission also feels that the tax rate can be held and perhaps reduced once the plan goes into full effect, and that consequent economic growth of the state will provide increased dollar amounts from other taxes for improvement in education.

Provision is made for a "phasing in" period—the five-year term mentioned earlier—in which communities would either raise or lower their property taxes for educational purposes by a factor of 20 per cent of the difference between their existing rates and the $2.04 per $100 suggested uniform statewide standard. Thus, the rate for New York City, which currently effectively assesses $1.65 per $100 of full value for education, would be raised to the uniform state rate of $2.04 over the five-year period. Once this was done, the freeze on the rate proposed above would prevent any additional dependence on property tax financing.

In this connection, the report says, "if New York City's school tax rate were to increase in the next five years at the same average yearly rate as in the 1966–71 period (6 per cent), by 1976–77 the city's full value rate would reach $2.19—or about 15 cents higher than the rate at which we propose to freeze."

In calling for use of the property tax to make a start on state funding, the Commission recognizes that there are inherently regressive features in the property tax, and that reliance on it should be reduced as soon as possible, with money to replace the losses in yield to come from the state income tax.

A table which shows the impact of the proposed change on levies in various New York State municipalities accompanies the report.

Criticizing assessment practices in connection with the property tax, the Commission recommends an allocation of between $200–$500,000 for fiscal 1973 for the State Board of Equalization and Assessment to begin to develop an analysis system of the tax rolls and assessments of all property-taxing jurisdictions. It also recommends that state teams from the Board perform all assessments of utilities, starting in 1973.

Feeling that homeowners in many low-income households are grossly overburdened, the Commission urges tax credits permitting families which pay more than 10 per cent of their incomes in property taxes to credit the excess against their state income tax bills. Families living in rental dwellings would be eligible for state tax credits to the extent that 25 per cent of their rent exceeds 10 per cent of their income.

"It is clear," the Commission says, "that the adoption of a state funding system such as we propose means increased over-all spending by the state for education, even before inflationary factors and the cost of improvements in educational quality . . . are taken into account." The Commission lists the principal increases in state costs resulting from its recommendations, if enacted in 1972–73:

For "leveling up" to the 65th percentile, $125,000,000.

For "weighting" factors for children with learning difficulties, $465,000,000.

For loss of revenue resulting from providing overburdened homeowners and renters with porperty tax relief through tax credits, $125,000,000.

Recognizing the current financial crisis in New York State, the Commission nevertheless concludes that each of these factors is "an essential part of a state financing plan."

"Despite the state's fiscal plight, we consider it proper and responsible for the Commission to recommend this plan," the report says, and lists several reasons:

1. If the *Serrano* decision becomes the law of the land, New York would be forced to adopt such a plan, and it is better to have careful consideration given to its details now rather than later.

2. In order to enable the new system to start operating by the school year 1973–74 at the earliest, the Legislature must enact legislation in 1972.

3. The plan has flexibility. Some elements, such as costs of weighting for learning difficulties, could be reduced temporarily; real estate tax relief measures for lower income groups could also be initially reduced or postponed. The Commission does not advocate these reductions or postponements, but notes them as possibilities in time of fiscal crisis.

4. In a review of priorities, the Commission prefers "added taxation to reduced educational expenditures."

5. The panel feels it offers the best possible plan for the next decade and thereafter, and that it will surely become financially feasible in the years ahead, particularly as some form of Federal revenue sharing with the states "seems to be inevitable in the near future."

EFFECT OF LEVELING UP TO THE 65TH PERCENTILE OF EXPENDITURES WITH SAVE-HARMLESS PROVISION AND PEP SCORES WEIGHTED AT 0.5, ON SELECTED SCHOOL DISTRICTS IN NEW YORK STATE

[Base year: 1969-70]

Name of district	Enrollment (K-12) (1)	Major exclusions (2)	Urban aid (3)	Base expenditures (4)	Base expenditures and urban aid (5)	True value per study ENR (6)	Effect in 1st year of leveling up to 0.65th percentile (7)	Effect with Pep weighted at 0.5—at 0.65th percentile (8)	Gain at 0.65 w/P weighted (9)
City:									
New York City	1,068,502	269	29	1,016	1,045	52,921	1,037	1,273	228
Albany	10,702	310	21	998	1,019	57,498	1,037	1,182	163
Buffalo	68,090	165	34	869	903	28,368	1,024	1,219	316
Rochester	44,290	197	27	1,070	1,097	40,799	1,070	1,260	163
Syracuse	28,268	109	21	946	967	34,737	1,037	1,159	192
Yonkers	29,005	242	29	947	976	46,781	1,037	1,169	193
Enlarged city:									
Dunkirk (Chatauqua)	3,258	131		982	982	53,038	1,037	1,133	151
Lockport (Niagara)	6,720	217		899	899	25,081	1,037	1,125	226
Geneva (Ontario)	3,282	144		1,036	1,036	29,044	1,037	1,128	92
Hornell (Steuben)	3,439	198		956	956	14,010	1,037	1,125	169
Elmira (Chemung)	13,358	140	7	957	964	20,359	1,037	1,105	141
Rome (Oneida)	11,646	94	7	895	902	16,877	1,037	1,097	195
Schenectady (Schenectady)	12,239	216	23	1,164	1,187	25,535	1,164	1,299	112
Ithaca (Thompkins)	7,871	294		1,095	1,095	31,902	1,095	1,180	85
Oswego (Oswego)	5,166	257		1,024	1,024	47,788	1,037	1,138	114
Beacon (Dutchess)	3,532	181		972	972	27,883	1,037	1,136	164
Hudson (Columbia)	3,461	131		934	934	23,416	1,037	1,162	228
Newburgh (Orange)	12,230	217	14	1,047	1,061	23,118	1,047	1,138	77
Ogdensburg (St. Lawrence)	3,235	169		815	815	13,641	971	1,020	205

Suburban:									
Bronxville (Westchester)	1,350	158		1,911	1,911	68,718	1,911	[1]1,911	—0
Great Neck (Nassau)	9,427	254		2,079	2,079	71,413	2,079	2,131	52
Hempstead (Nassau)	5,371	318	23	1,430	1,453	64,752	1,430	1,599	146
Mamaroneck (Westchester)	6,106	211		1,527	1,527	49,410	1,527	1,610	83
Levittown (Nassau)	16,312	210		1,163	1,163	17,995	1,163	1,231	68
Peekskill (Westchester)	3,412	350		1,041	1,041	23,737	1,041	1,040	99
West Islip (Suffolk)	8,961	220		1,037	1,037	17,397	1,037	1,113	76
Mt. Vernon (Westchester)	11,377	210	26	1,123	1,149	35,977	1,123	1,266	117
Rural:									
Indian Lake (Hamilton)	363	287		961	961	48,152	1,037	1,073	112
Red Jacket (Ontario)	1,337	527		833	833	14,854	989	1,074	241
Edwards (St. Lawrence)	407	229		999	999	11,851	1,037	1,131	131
Penn Yan (Yates)	3,141	194		888	888	30,211	1,037	1,086	198
Town of Webb (Herkimer)	483	317		1,505	1,505	78,633	1,505	1,570	65
Carthage (Jefferson)	3,437	175		926	976	14,109	1,037	1,107	181
Malone (Franklin)	3,562	296		867	867	14,617	1,023	1,116	249
Minerva (Essex)	238	541		1,266	1,266	33,951	1,266	1,302	36
Keene (Essex)	171	303		1,459	1,459	42,709	1,459	1,615	156

Source: Computations based on data provided by the New York State Education Department, September 1971

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[1] AFDC, PEP not available

SCHOOL TAX RATES AND CHANGE IN LEVY UNDER FULL IMPLEMENTATION OF $2.04 STATEWIDE SCHOOL PROPERTY TAX, SELECTED MUNICIPALITIES, 1970

(1)	1970 full value school tax rate (2)	Change in amount of levy on $10,000 parcel at $2.04 rate (3)	1970 residential full value per capital (4)
Low tax rate municipalities:			
Scriba	$1.15	$307	$3,663
Neversink	1.21	78	2,572
West Seneca	1.25	98	4,573
Southold	1.32	66	8,809
Southampton	1.37	65	10,242
Cheektowaga	1.38	75	3,967
Yonkers	1.38	62	3,428
Greece	1.46	73	5,912
Ontario	1.52	152	8,426
East Hampton	1.55	49	15,003
Average tax rate municipalities:			
Schenectady	2.04	0	2,341
Poughkeepsie	2.04	0	3,656
High tax rate municipalities:			
Newburgh	2.35	−31	2,024
Cortland	2.39	−35	6,530
Auburn	2.41	−38	2,665
Mount Vernon	2.48	−43	2,929
New Rochelle	2.49	−44	4,947
[illegible]	2.52	−49	2,151
Haverstraw	2.56	−62	3,019
Highest tax rate municipalities:			
Scarsdale	[illegible]	−30	14,419
Hempstead	2.61	−59	5,187
[illegible]	4.50	−242	653
State average	2.04	0	4,006
Big Cities:			
Albany	1.77	+27	2,808
Buffalo	1.44	+60	2,008
New York City	1.89	+16	3,815
Syracuse	1.66	+38	2,683
Rochester	1.33	+71	2,655
Yonkers	1.38	+62	3,428
State average	2.04	0	4,006

Source: New York State board of equalization and assessment.

FEDERAL AID

In its chapter on the need for increased Federal help for financing the schools, the Commission advocates Federal "assistance for public education at a level equal to 25 to 30 per cent of the total cost, as compared with a current level of approximately 7 per cent nationwide and 4 per cent in New York." In this connection the Commission identifies "five feasible mechanisms through which Federal funds might be made available for the general support of education." They are:

1. Outright Federal grants to states earmarked for educational purposes but not otherwise restricted.
2. General Federal revenue sharing.
3. Federal assumption of costs of welfare which would free state and local funds for education.
4. Federal incentive grants for states to assume a greater portion of education finance, and for state and local tax reform.
5. Federal tax credits for state and local income taxes, aimed at getting state revenues for schools from increased use of these more progressive taxes in lieu of heavy reliance on property taxation.

In reference to speculation that a value-added tax is being given consideration by the Nixon Administration, the report states: "This Commission does not deem it appropriate to comment on such speculative matters other than to say that increased Federal aid to general education at the state level is sorely needed. . . . We have expressed our preference for the graduated income tax as the most progressive form of taxation, but the fiscal crisis of the state is so acute that help would be welcomed from Federal resources generated in any reasonable manner."

On the matter of revenue sharing—under which the Federal Government would share revenues with the states—the report cites the Nixon Administration plan under which 1.3 per cent of taxable personal income would be earmarked for general revenue sharing. In the fiscal year 1971–72, this would come to a total pool of $5 billion, which would be distributed by the Federal Government to the states on the basis of a formula which adjusts population figures to "fiscal effort"—the comparative ratios of total state and local taxes to total statewide personal income.

New York State, under this formula would receive some $531 million in fiscal 1972—about 10.6 per cent of the total. "This amount," says the report, "is about 20 percent higher than it would be if population alone were the criterion for distribution because New York State makes a strong fiscal effort compared to the national average."

A "pass-through" provision in the plan would require that New York State funnel 51.5 per cent of its allotment (or $352 million) to the localities while retaining the balance ($333 million). While supporting the general approach of this plan, the Commission recommends three principal modifications:

1. "That the pass-through provision be amended, or perhaps eliminated, to conform with the commission's recommendations relating to full state funding of education."

2. "That the amount of revenue to be shared be determined by Federal income tax receipts rather than taxable personal income" because of their greater elasticity.

3. "That the amount of revenue to be shared be increased substantially over the current proposed amount."

The Commission also supports Federal assumption of welfare costs. "It would redress many of the current inequities in this nation's treatment of its aged, indigent and handicapped citizens," the panel states, and "it would make available added revenues for state services such as education."

Analyzing HR1, a welfare reform bill currently before Congress, however, the Commission says that predictions of annual savings to the state range from $12 million to $48 million and urges "a far greater assumption of welfare costs by the Federal Government."

The Commission urges the Federal Government to provide dollar incentives to states to adopt full state funding of education. It also urges Federal incentives "that would encourage states to rely on forms of taxation more progressive than the property tax."

In this connection, the panel examines Federal tax credits "designed to encourage tax reform by providing incentives for increased use of personal income tax at state and local levels." One device would allow a taxpayer to credit 20 per cent of his state and local *income tax* liability against his Federal income tax liability. Another would permit a taxpayer to credit in full a state surcharge on his Federal tax liability up to a maximum of, say, 10 per cent of that liability. This device would not increase an individual's total tax and yet additional state revenue would be generated from the Federal income tax base which is more progressive than most state income taxes, including New York's.

In addition to the five proposed mechanisms for Federal support listed above, the commission also urges improvement in the existing programs under which the Federal Government provides funds for New York elementary and secondary education. This so-called "categorical aid" came to $246 million in New York State in 1969–70.

Recognizing that these funds "have had a substantial impact in New York," the Commission nevertheless points out that such programs have never been given appropriations equal to their authorizations, and recommends an increase in such funds to meet the needs of educationally disadvantaged children. In particular, the Commission recommends major Federal categorical financial assistance in "attending to the special needs of the handicapped."

The Commission also feels that many existing Federal programs overlap, are uncoordinated and should be consolidated to allow more flexibility and efficiency in use of the money by state and local authorities.

It also recommends that "a sufficiently large Federal commitment . . . be made to assure that substantial cost-effective application of technology be operational by the end of the decade."

"The soon-to-be-established National Institute of Education," the report continues, "seems to us the logical agency to perform this task."

In connection with this research and development effort, the panel states, "the technology presently in general use for instructional purposes, for example, is not much different than it was following the invention of the printing press and movable type."

It states its belief that some elements of reading, mathematics and foreign language instruction are mechanical and repetitive in nature, and as such might be taught "more efficiently by properly programmed instructional equipment," and it envisages use of cable television for educational purposes.

"The unusually large projected disparity between New York State revenues and expenditures in fiscal year 1972 reflects what is hopefully a temporary economic recession," the Commission notes. "Nevertheless, if this nation is to continue to improve the quality of its public services, including education, reliance on state and local taxation . . . will continue to place an untenable financial strain on state and local governments in the decade ahead, (and) only the Federal Government, with its broader-based revenue resources can provide relief."

STATE OF EDUCATION IN NEW YORK

The need for increased Federal support is presented by the Commission against the backdrop of its chapter on the general state of secondary an delementary education in New York State.

This contains three principal findings:

1. "New York State has made a notable effort over the last several decades to improve the quality of its schools. According to most of the traditional indicators of quality—ratio of staff to students, teachers salaries, expenditures per student—New York ranks at or near the top of the nation. The record of the past is reason for high hopes for the future."

2. "Certain educational problems are not getting the attention they deserve—the problems of racial and ethnic imbalance, non-English-speaking students, handicapped students and drug abuse."

3. "The biggest problem in the state is the continuing high correlation between school success or failure and the student's socio-economic and racial origins. . . . In spite of high expenditures and quality improvements, New York State is not providing equally of educational opportunity to its students as long as the pattern of school success and school failure remains closely tied to a child's social origins."

In this connection the Commission analyzes results of standardized tests administered by the State Education Department to third and sixth graders throughout the state, and finds, among other things, that the degree of reading failure in the large cities of the state is dangerously high. This is especially true in New York City where more than one out of every three third, sixth and ninth grade students scored below the minimum competence level. By contrast, in "village" districts, the category into which most wealthy suburban schools fall, the comparable statistic is only one out of every nine students.

Turning to enrollments, the Commission notes that "the public school system in New York State has undergone massive expansion in the past quarter-century, almost doubling its student body since 1945—from 1,783,325 to 3,489,245 in 1970. The major priority has been to find the resources and build the schools to take care of rising numbers."

The Commission's projections of school enrollments for the coming years, however, "indicate that . . . the rapid growth in public school enrollments has come to an end, at least for the next decade or two." Even assuming a precipitate decline in Roman Catholic school enrollments, the Commission indicates that "public school enrollments would increase statewide by only 250,000 students above the present level. On the other hand, assuming Catholic school enrollments do not decline, the Commission predicts that "public school enrollment in 1980 would actually be lower than it is today."

The Commission views these projections as having important implications:

"Once inflation is taken into account, the major part of future increments in financial resources available for education can go toward improvements in the quality of New York's educational system." In this connection, the Commission urges the following priorities for the coming decade: "achieving equity in financing and programming, improving the quality of teaching and raising the level of pupil performance."

Mr. Fleischmann, in issuing the first chapters of the report, says, in the Chairman's Foreword: We gave much study to what may currently be the most difficult educational problem of all, namely, how to match limited resources (particularly in years of fiscal crisis for New York State) with constantly increasing demands upon the educational dollar, many of these demands justified and even essential if good education is to be available equally for all of the children of this state."

In discussing Commission ground rules set for the report, Mr. Fleischmann says: "Wherever possible, each recommendation has a price tag attached to it. Because of the possibility of continued inflation, this could be no more than a sketchy estimate in cases where a proposed program would take shape over the next decade. In addition, we have given our own view as to the most effective, equitable and socially desirable manner to meet additional financial requirements. It will be noted that we have followed this rule even to the extent of proposing alternative methods of financing. We did this because, while it is the unanimous view of the Commission that a much larger share of the cost of public education ought to be borne by the Federal Government, there is no assurance that this is going to happen."

Stating that the Commission members "are surfeited with reports at the national and state level which urge the adoption of grandiose and often desirable programs without pricing them or even suggesting where the money is to come from," Mr. Fleischmann continues that the Commission felt that this pricing was within its mandate and that it seemed probable to the Commission that the Governor, Legislature, Regents and the public "would all give more serious consideration to particular proposals as well as to the over-all program if they were advised as to the probable financial and tax consequences of their acceptance."

In this connection, the Foreword continues, "We have proposed cost-saving techniques in the provision of supplies and non-educational services, and in the use of physical facilities; in particular . . . enabling legislation to permit school districts to adopt a continuous learning year. Most important of all, we have attempted to take advantage of the leveling off of the student population which is now taking place."

"It should be observed," says Mr. Fleischmann at another point, "that the Chairman, at least, has nursed a deep aversion to commission reports which mainly recommend further study of the subjects the commission was created to study. We have tried to keep such recommendations to a minimum, but we could not entirely eliminate them. Great problems of life require endless difficult reappraisals."

Serving on the Commission with Mr. Fleischmann, a Buffalo and New York City attorney, are Assemblywoman Constance E. Cook, Chairman of the New York State Assembly Committee on Education; Raymond R. Corbett, President of the New York State AFL-CIO; D. Clinton Dominick III, lawyer and former State Senator; Alan A. Flans, President of the Kraft Corrugated Containers Corporation; Charles Frankel, Professor of Philosophy and Public Affairs, Columbia University; Phyllis A. Harrison, M. D., Assistant Professor in Pediatrics and Psychiatry, Albert Einstein College of Medicine; H. Thomas James, President, The Spencer Foundation; Francis Keppel, Chairman, General Learning Corporation; Mrs. Virginia M. Kopp of Albany, who has been active in public service television; State Senator Thomas Laverne, Chairman of the New York State Senate Committee on Education; Mrs. Dorothy Levitt, former Community Coordinator in the Ocean Hill-Brownsville School District; George S. Moore, retired Chairman, First National City Bank of New York; Lloyd N. Morrisett, President, John and Mary R. Markle Foundation; Edward J. Mortola, President, Pace College; James F. Oates, Jr., Attorney, former Chairman, The Equitable Life Assurance Society of the United States; Arthur E. Sutherland, Professor of Law Emeritus and former member of the faculty of John F. Kennedy School of Government, Harvard University; and Franklin H. Williams, President.

Sections of the Commission report yet to be issued and which are now in process of final preparation, are expected to include recommendations relating to racial integration; aid to nonpublic schools; school governance; educational personnel; curriculum and instruction; pre-school education; education of the handicapped; drugs in the schools; New York City; vocational education; experiments and alternatives, including technology; support services, including construction and transportation; and a summary of the report's financial implications.

The Commission, which is independent and non-partisan, was created in 1969 by Governor Rockefeller and the State Board of Regents, in conjunction with state legislative leaders.

Very good, Senator, don't go away, because I am anxious for both of you witnesses to tell us how you propose to shift the cost of education from local and State governments by method of taxation, or fundraising, what method would be used.

I might say, Senator Mammenga, Congressman Bergland, your Congressman, wanted to be here to introduce you, but he had to be at two meetings, so I will ask Congressman Quie to introduce you.

Mr. Quie. I would be happy to do that.

The senator has served on the education committee of the State senate, and he was very instrumental in developing the bill in Minnesota for increasing State aid, which as we heard yesterday, caused the withdrawal of a court case, so there will not be made a decision. The law evidently meets the objections of those who brought the case to court. I will say to my colleagues, you will be hearing from a person instrumental in putting together one of the important State bills in the country right now. I point this out, because some testimony before us suggested that the State and Federal Government should consider financing all of the cost of education. I believe that is what Senator Laverne was talking about. The *Serrano* decision gives that impression, but in Minnesota, they are putting together a bill where the State provides over 65 percent of the school budget, that leaves the local community with some responsibility in raising revenue. This evidently was satisfactory for the *Serrano* decision in Minnesota, so I commend you highly from what I have heard of you.

Mr. Mazzoli. I would like to say I met you two or three summers ago. We participated at a meeting for 3 or 4 days, and you made some fine contributions.

I think you were teaching at the same time you were participating.

Mr. Mammenga. That was one of the most enjoyable weeks I had spent.

I thought it was one of the most productive times, and I applaud the Council of State Governments for the opportunity.

Mr. Mazzoli. It was the first chance I had up to that point of meeting people in similar positions across the country, of participating in a forum where we could share these ideas, and while we were not at that point confronted by the *Serrano* case and all of its multiple, complex problems, we certainly did do some ground work, so I just want to join my colleague from Minnesota in welcoming you here to Washington today.

Mr. Pucinski. You may proceed in whatever way you wish, Senator.

STATEMENT OF SENATOR GENE MAMMENGA, MEMBER OF THE EDUCATION COMMITTEE, MINNESOTA STATE SENATE

Mr. Mammenga. Thank you, Mr. Chairman.

The State of Minnesota is pleased with the progress we feel we have made in education in our State.

We are also pleased that our State auditor recently told us we were in all likelihood the only State in the Nation where property taxes will actually go down this year.

In the Governor's newsletter put out 2 days ago, he made the statement that more importantly, our new tax laws assure the quality of every child's education, that it will not depend upon the wealth of the school district in which he lives.

What we did at the last session of our legislature was put $413 million more into our school aid formula, which changed the percentage of State support of education in Minnesota, from 43 percent of the maintenance level to 65 percent.

Now, I hope it might be instructive to you to tell a bit of the background of why we did this, and what we hope it will accomplish, and some of the real politics, the political problems we faced during the session, and we will face in the upcoming campaign.

I agree with almost everything that Senator Laverne said, regarding our need for greater Federal participation.

The 1971 session felt tremendous political pressure to lower property taxes in Minnesota.

The Minnesota Taxpayers Association was formed, and they put a great deal of pressure on our out-of-State people, and there were taxpayers groups formed from the cities, so the taxpayer groups, both in the country and the city, wield a big political clout, and, therefore, it was pretty well determined among us that we would have to lower property taxes somewhat somehow.

There were two ways we thought. One was to have the State take over participation of welfare and eliminate local participation.

Another way was to come in with a large school aid formula. The Governor campaigned on a new school aid formula. He campaigned for a little different one than was passed. He said if elected Governor, he would eliminate the local school property tax completely and put on a State millage that would be equal throughout the State and that would be used in lieu of the property tax participation of local school districts.

He got in a lot of hot water politically, because we had eliminated State property tax in 1967, when we went to the State sales tax, and so his opponent charged we were going back into a field we should not go back into, and it became very, very contested the last several weeks.

Well, Governor Anderson won. I don't know whether he won because of this, or in spite of this issue, but he felt very obligated to the issue, because it had been a very pointed one within those last couple of weeks, and so he fought hard for it during the 1971 session.

What happened to tip the balance in the direction of the school aid formula being changed, was that the State assumption of the welfare program raised, there were two problems.

Number one, we could not get a clear estimate from the welfare department of how much it would cost. They came in every day with a new set of figures, and that made it hard; made it impossible.

The other thing was the State welfare would have helped out the two core cities and northern one-third of the State very substantially, and not much of the good farm land. Politically, my party, the Democratic Party has strong representation in the one-third northern part of the State.

We did not take over welfare, and so we did assume this very large percentage of State support of education, partly because the Governor supported it, partly because the Republican leader of the State senate is a former school superintendent, and very, very interested in doing something for public education.

We think that the program we adopted meets the requirements of *Serrano*, although there is still one Minnesota case pending. The Minnesota Taxpayers Association is contesting along *Serrano* lines.

The other organizations have dropped out, so it would be interesting to get a reading on whether we do actually meet requirements according to our Minnesota court. What we did was provide that every school district after a transitional period of several years would be levying the same levy, 100 mills approximately.

Everybody would make that levy, and the State then would contribute the other amount needed to bring you up to a State average per pupil unit cost for maintenance.

Now, we think another thing we did that might be interesting, and I talked about the problem of not having the lighthouse districts, not having districts that can spend a lot more and develop new programs. We provided $150,000 to a group called the Council on Quality Education, and we had hoped they would distribute that money to school districts that could give some indication they have innovative programs, and those programs could sort of been tested in these districts, and then perhaps applied on State-wide level if they seemed to be successful.

Now, our change will be a big campaign issue in 1972, because those of us who voted for the final tax bill, it was a smattering of both Republicans and Democrats—will have to take a lot of heat on it, because to get the money to put that extra 413 into the mill into the aid formula, we raised the selective sales 1 percent, and I have to answer to my labor unions for doing that, because I as a Democrat voted for the sales tax, which Democrats have not done in the past in Minnesota, so I have a bit of a political problem in explaining that, but the principal problem seems to be that we raised the State income considerably, and the Minnesota Taxpayers Association, not real estate, but the Minnesota Taxpayers Association, which represents a lot of business firms in Minnesota, have put out a tremendous amount of releases, charging we are the number one income tax State in the Nation, and those releases have been picked up every single week throughout the State of Minnesota, and so we are being charged with being a heavy tax State, and my colleague from New York was kind of bragging on how much their State is taxed. We feel we are right in there on that, and we make a tremendous State effort for education, and we are proud of that, although during campaign times, we do not accent it quite the same way.

Now, we had to put the lid on districts politically, because if we did not, we would say we put out a lot more money for education, and in return, if we do not get reduced taxes in school districts, we are dead politically, so we put a limit on school districts, and our limit is about a cost of living limit.

It is $87 increase per pupil unit, and that would be about 5 or 6 percent increase per year.

Now, if you are an above average spending unit, you cannot go that full amount, there is a formula worked out, but if you are below average, you can go the full $87.

Now, I really have a tremendous philosophsical problem on the *Serrano* case, and Senator Laverne, he is right, when he said if we allow local additions, we are going to find ourselves with another *Serrano* 4 or 5 years from now on a different level, but what we did in Minnesota, was to say to the local district, if you want to tax more than the amount you are alloted by the formula, then you must have a local referendum, and it must be held on the day of the school board elections.

Now, that would mean, I guess, your school board candidates would have to campaign yes or no on the referendum. Superintendents have appeared before us during the session, and they have been complaining ever since.

They love the money, but they do not like the limitations, and so when we hear that, we respond to the superintendent, all you have to do is to go to your people and tell them you want quality education, even higher quality than the rest of the districts, that you want to add a foreign language class here, you want a special education program, you just tell the people that, and the people will vote for it, and we have not met one superintendent yet who has expressed any enthusiasm about a referendum.

I really do think the local school district should be willing to accept that responsibility when it is put to them.

I don't know if I could ever philosophically support an aid program that just said to a local school district, this is all you can spend, you cannot spend anymore.

The concept of saying to local people that they cannot put more money in education, just is very hard for me to accept.

One of the interesting things about the aid formula, we think, we argued about what it takes to educate a child, how many more dollars it takes to educate a certain child, and we have developed what we call an educational overburden formula, during the interim, and we had 14 points in it to try to determine what constituted educational overburden, and when we got into the session, we threw it all away, and we went to AFDC, and we said, every child whose family has an AFDC grant, every child then should get an extra half a pupil unit, which means about $350 about, add on, so that AFDC, then was our sole criteria.

It is a simplistic approach, I will grant, but I happen to believe it is a pretty good approach, because I am in teaching myself. I was in public school teaching before I got the easy job in the State college, but in public school teaching, as a family unit disintegrates, the school has to accept more and more responsibility for almost every aspect of life, and so, therefore, what you are talking about is the family unit disintegration under AFDC.

I think it is a pretty good formula. It helps our core cities immensely. It lowers property taxes in the suburbs but not very much. It helps my area, northern Minnesota, where a sociologist would say there is a social disorganization pattern.

We do have a lot of poverty, and poverty seems to be associated with broken families.

I think the most healthy thing that came out of our session was that we all studied the school aid formula for the first time in legislative history. Before only a subcommittee, about five men in the House really knew the formula.

This session the Tax Committee usurped the formula, they took it away from us in the Education Committee, because they used it as an avenue for property tax reduction, and when they did, it became big news, and everybody had to go in to find out how the formula worked.

For next term, the Governor has appointed, or asked the department of education to appoint a 30-man study commission, to bring him a school aid formula for the 1973 session, and he is going to present the formula, as part of his budget message in the first month of the session.

He will present the formula in the budget message, so we are going to see it discussed on a different level.

Mr. Chairman, I would like to just take a couple more minutes to give some of my thoughts about Federal aid in terms of the kind of categorical approach to aids.

One thing I worry about a great deal, I would like to share this concern with you, one of the things we did with our State aid formula, was to give new life to some of our smallest school districts, by giving them more money, we allowed them to continue to exist.

We did not have the political courage to pass a mandatory consolidation bill. We did one 4 years ago. We have one more to do to meet the job.

I have high schools in my district that graduate 12 students. I personally cannot think that kind of high school can offer a comprehensive curriculum, but we are going to have those high schools for a number of years, because they are not going out of existence, because we funded them.

I worry about our putting more money into educational units that are simply too small to be efficient, even in an administrative sense, or an educational sense, and I would hate to see you gentlemen compound the problem that we have, by adding more money to units that do not make any real sense anymore, so I would hope that money might go in through something like a regional structure.

We in northern Minnesota have just gotten into a regional development district.

It was terribly hard, but it is going to work for us, because small counties now, and small villages can get planning from the regional director.

I would hope that the school aid given on a Federal basis might be channeled through something like this.

We cannot have the teaching devices, and the teaching machines that we actually have to have, if we work with small school units.

I don't think either that we can have necessarily the kind of mentality in some of the small school boards that will react to renovation.

I believe being a teacher, that we teachers are some of the most conservative people in the world, when it comes to the way we deliver education.

We do it on a kind of basis that has been done for many, many years.

Industry adapts to new techniques more rapidly than we do.

I think we need Federal money to provide some spirit to us to be innovative. My final kind of pet peeve in education has been this: Our different levels of education have not communicated with each other.

I taught public high schools, I went to the university graduate school, and I am teaching essentially in a teacher training situation, because about 75 percent of our graduates go into teaching.

I have seen very little relationship between the three. We are all in the business of education, but we do not talk to each other.

I thought when I got to the State college, I as a teacher in the classroom would have a great deal to do with public school education in the public school classrooms, but when my students leave me, I never see them again.

I never get into a public school classroom. I never talk with public school teachers, except in my role as a State senator, not as a teacher.

I wonder if some of the money in the future might not be given contingent on greater cooperation between people at the university level, that have a great deal of expertise, which they do not always share.

We in the State college level, who train teachers, but if we are not in the education department, never see them after we train them, and the teacher in the field, many of my colleagues out in the field feel they have been forgotten. We should cooperate.

Mr. QUIE. May I ask you what you think of the Teachers Corps as a corporation and of the internship program?

Mr. MAMMENGA. Congressman, I really cannot say that much about the Teacher Corps.

It has been operative in the larger cities of my State, but the internship program, I do know something about.

That is the way to go. I am tremendously enthusiastic about that program. It is extremely important we have more liason.

I rushed on. I was supposed to do a little home pumping for one of our programs, but I know we are running on here, but we do have a program in Minnesota, called the REACH project, $60,000 for a 2-year period, and we have 90 interns in this program, we have 15 teacher educators, 90 classroom teachers, and from 300 to 400 elementary and secondary school students involved in the program.

It is working with special education, but the thing most exciting to us about the program, we have seen professors at the university, talking with us, and we have gotten out in the field, and we have talked with people out there, and in terms of going right straight out in the program.

In my part of the country, there is a great deal of dissatisfaction with the traditional kind of teacher training. The superintendents are not entirely happy with the way we have trained teachers.

I am informed, just before leaving home, that one of the things they are really complaining about is that we do not provide teachers who are very innovative.

They do the same thing that has been done well, but they do not do much new, and so in a sense, maybe we have overtrained them.

I do have, Mr. Chairman, and I would like to submit for the record, a very brief summary by Governor Anderson's office, our State Governor, of the school aid formula, a listing of our change in levies in our local units, our Senate counsel's analysis of the aid formula, the dollar amount increases per local unit, and some of the remarks.

Mr. PUCINSKI. Without objection, those will be made a part of the record.

(The documents referred to follows:)

SCHOOL FINANCE REFORM AND PROPERTY TAX REDUCTION—THE MINNESOTA EXPERIENCE

"The stability of a republican form of government depending mainly on the intelligence of the people, it shall be the duty of the Legislature to establish a general and uniform system of public schools."—Minnesota State Constitution, adopted October 13, 1857.

"That is a duty State Government has never performed in Minnesota, a mandate it has never fulfilled . . . I recommend that we shift more of the burden of financing public school maintenance away from the property tax to other state sources of income. I recommend that we change our basic assumption about financing public schools."—Budget message, Gov. Wendell Anderson, January 27, 1971.

"To allot more educational dollars to the children of one district than to those of another merely because of the fortuitous presence of such property is to make the quality of a child's education dependent upon the location of private commercial and industrial establishments. Surely, this is to rely on the most irrelevant factors as the basis for educational financing."—*Serrano vs. Priest*, California Supreme Court, August 30, 1971.

"The issue posed by the children, here as in *Serrano*, is whether pupils in a publicly financed elementary and secondary school enjoy a right under the equal protection guarantee of the 14th Amendment to have the level of spending for their education unaffected by variations in the taxable wealth of their school districts or their parents. This court concludes that such a right indeed exists and that the principle announced in *Serrano vs. Priest* is correct. Plainly put, the rule is that the level of spending for a child's education may not be a function of wealth other than the wealth of the state as a whole."—Memorandum by Federal Judge Miles Lord, *Van Dusartz vs. Minnesota*, October 12, 1971.

REFORM

The property tax generates 87 percent of all local revenues in the United States today, yet it is under assault nearly everywhere.

Key court tests in Californa, New Jersey and Texas have struck down state systems of financing elementary and secondary education primarily through taxes on real estate.

Similar challenges have been initiated in more than 30 other states.

President Nixon has called the property tax "one of the most oppressive and discriminatory of all taxes." He has pledged to recommend a plan later this year that would both sharply reduce the burden of such taxes on citizens and provide fair and adequate financing of local school costs.

Yet in Minnesota, property taxes are expected to drop 12 percent or more in 1972.

The state has a new school finance system that many persons believe substantially meets the test of *Serrano vs. Priest*. Two of three federal court challenges have been withdrawn.

How did this happen?

SCHOOL FINANCING IN MINNESOTA, 1970

Prior to the 1971 Minnesota legislative session, the Minnesota system of providing state aid to public schools was much like that in most other states.

Minnesota used a foundation aid formula based almost entirely on property valuations that was designed to equalize school expenditures throughout the state.

In all, the state paid for 43 percent of current operating costs of public elementary and secondary education.

Wide disparities existed. In the 1969–70 school year, the "high" Minnesota school district spent $903 from state and local sources to educate a student. The "low" district spent only $370. Mill levies for current school operating costs ranged from less than 100 mills to more than 350 mills.

THE 1971 MINNESOTA LEGISLATIVE SESSION

To set the stage, candidate Wendell Anderson based his 1970 campaign for the governorship largely on a pledge to reduce property taxes.

One month before the November 3 election, he endorsed the proposal of an influential private citizens' group, The Citizens League, for the state to assume all local school maintenance costs. The remainder of the campaign focused almost solely on the property tax reduction-school finance reform issue.

The November elections left Minnesota's non-partisan Legislature narrowly divided but with Conservatives controlling both the Senate (34–33) and the House (70–65).

The battle was joined on January 27 with delivery of the Anderson budget message.

In that address, the governor said Minnesota must finally meet its constitutional mandate of providing equal educational opportunity for all children throughout the state.

To achieve that goal, he called for a dramatic shift away from local property taxes to nonproperty state taxes in funding elementary and secondary school operating costs.

The property tax reductions proposed were substantial. So were the increases recommended in individual and corporate income taxes and in various excise taxes.

In describing the inequities, Anderson noted that one suburban Minneapolis school district (Anoka) was forced to levy a tax of $581 on a $20,000 home in order to spend $536 per pupil for school costs, while a much richer district only a few miles away (Golden Valley) had to levy only $369 on a similar home in order to spend $837 per pupil.

Stalemate and a special session resulted. In late July Conservatives pushed a tax bill through both Houses, only to have it vetoed by Anderson.

Finally, on Oct. 30, a compromise $581 million bill that incorporated major elements of the original Anderson school finance plan was passed by the Legislature and signed into law by the governor.

BASIC ELEMENTS OF THE COMPROMISE PLAN

The old school aid formula had provided only $404 per pupil unit in average daily attendance (ADA), minus the amount of money that 20 EARC mills would raise. (EARC is the adjusted assessed value as determined by the Equalization Aid Review Committee in the Minnesota Department of Taxation. Ideally, this is three times the assessed value. Thus, 20 EARC mills amounted to 60 mills as levied by a county auditor). A minimum flat grant of $141 per pupil was provided if the amount available through the $404 minus 20 EARC mills formula fell short of the minimum.

The new formula called for the use of average daily membership (ADM) instead of average daily attendance in counting pupil units. In the first year it provided $600 per pupil in ADM, minus what 30 EARC mills would raise in that school district.

For the second year of the biennium the formula was fixed at $750 per pupil unit minus 30 EARC mills. For both years of the biennium a flat grant of $215 per pupil unit was provided.

The net impact of these and other changes will be to raise the state's share of current operating costs from 43% in 1970–71 to 65% in the 1972–73 school year.

Of the total 1971–73 tax increase of $581 million, more than half will be paid out in increased school aids.

MAJOR QUESTIONS: MINNESOTA'S ANSWERS

Outlined below are major questions raised during the legislative struggle for school finance reform and how those questions were resolved.

Q. If the state pumps more money into a school aid formula, will not increased educational expenditures result with no appreciable effect on the quality of education offered?

A. For the first time a statewide levy limitation law was enacted which prohibits school districts from increasing costs more than $87 per pupil over the next two years. The $87 amounts roughly to an estimated cost-of-living increase. For districts that are currently operating above the statewide average, that $87 is reduced by the amount of special education aid received per pupil in the last school year. The only way school districts can exceed the levy limitations is through a voter referendum.

Q. Isn't there the danger the plan will freeze expenditures of below-average-cost districts at present inadequate levels?

A. The Governor originally recommended that such districts be raised up to the state average over a six-year period. For example, if the statewide per pupil cost average was determined to be $750 and a school district was spending only $500, the district would be permitted to go up $\frac{1}{6}$ of $250 the first year and $\frac{1}{5}$ of the difference between actual cost and statewide average the second and succeeding years.

This provision was taken out in the legislative compromise. The only difference between the way above-average and below-average districts are now handled is that above average, or "grandfathered" districts, must subtract special education state grants from the allowable $87 per pupil increase. Over the two-year period, below-average expenditure districts may go up the full $87. They are not required to subtract special education grants.

Q. What provision was made for above-average expenditure districts?

A. Districts that had high costs were "grandfathered in." That is, they were permitted to levy taxes above the 30 EARC mills for the amount that per pupil expenditures exceeded the statewide average in the previous school year. As mentioned above, high-cost districts were also permitted to go up $87 per pupil over a two-year period, minus special education grants.

Q. What provisions were made for special costs of Minnesota's three major cities (Minneapolis, St. Paul and Duluth)?

A. Because of their relatively high school costs and the limited property tax relief available under the typical formula, legislators decided to provide extra funds for AFDC children. Each AFDC child enrolled in a school district was counted as an additional 0.5 pupil unit. One result of this provision was to recognize the education "overburden" of the cities—the higher cost of educating disadvantaged pupils.

Q. What provision was made to encourage innovative practices that had been largely carried out by high-cost districts?

A. A Quality Education Council was established with a $750,000 appropriation. School districts can apply to the Council for support of innovative school programs.

Q. Does the $750 per pupil unit in the second year of the formula reflect actual estimated per pupil cost?

A. It is estimated that the second year cost will be very close to $750. Thus, the formula for the first time finances a realistic per pupil cost. The subtraction of 30 EARC mills reflects the property tax relief for school operating costs of the lowest district in the state. Except for those high-cost districts that are grandfathered in, most districts will have their property tax reduced to the 30-mill or lower level.

Q. What kind of school costs are not covered by the levy limitations?

A. Debt service, capital outlay, distribution and categorical aids.

Q. What provision was made for districts receiving less aid under the new formula than under the old?

A. A "hold harmless" provision was included. It provided that no districts shall receive less in 1971–72 than it received in 1970–71, nor less in 72–73 than it received in 71–72.

COMPARISON OF PRESENT SCHOOL MAINTENANCE MILL RATES WITH THOSE UNDER PROPOSED OCTOBER COMPROMISE BILL

School district	Present	Proposed
Aitkin County:		
Aitkin	149.8	88.3
Hill City	176.7	90.9
McGrath	263.9	103.6
McGregor	160.8	94.9
Anoka County:		
Anoka	179.7	84.0
Centennial	154.6	153.6
Columbia Heights	172.4	144.2
Fridley	207.1	97.8
St. Francis	183.0	96.8
Spring Lake Park	167.5	109.5
Becker County:		
Audubon	179.1	96.9
Detroit Lakes	168.7	84.6
Frazee	235.8	93.3
Lake Park	114.4	103.1
Beltrami County:		
Bemidji	170.7	87.9
Blackduck	237.0	79.6
Kelliher	248.4	90.6
Red Lake	155.0	56.0
Benton County		
Foley	129.3	80.7
Sauk Rapids	181.1	81.5
Big Stone County:		
Beardsley	146.1	96.1
Clinton	146.4	103.6
Graceville	136.9	85.3
Ortonville	144.2	86.7
Blue Earth County:		
Amboy-Good Thunder	117.1	99.6
Garden City	178.1	115.9
Lake Crystal	147.5	102.9
Mankato	135.5	108.4
Mapleton	137.0	101.4
St. Clair	190.1	113.2
Brown County:		
Comfrey	91.2	88.4
New Ulm	133.9	103.6
Sleepy Eye	88.8	100.3
Springfield	118.0	84.5
Carlton County:		
Barnum	322.2	99.3
Carlton	231.4	140.6
Cloquet	225.5	122.4
Cromwell	209.3	113.6
Moose Lake	294.7	106.5
Thomson Township	167.6	86.1
Wenshall	183.7	96.5
Carver County:		
Chaska	221.2	157.0
Norwood-Young America	156.8	95.9
Waconia	198.1	165.8
Watertown	190.9	96.1
Cass County:		
Backus	168.1	104.2
Cass Lake	143.2	98.0
Pillager	155.2	90.3
Pine River	156.4	83.2
Remer	143.0	101.1
Walker	106.6	82.7
Chippewa County:		
Clara City	155.6	100.4
Maynard	163.6	103.6
Milan	165.5	107.5
Montevideo	163.3	100.7
Chisago County:		
Chisago Lakes	219.9	101.4
North Branch	148.6	89.8
Rush City	188.1	95.4
Taylors Falls	156.5	97.2
Clay County:		
Barnesville	138.5	101.2
Dilworth	206.4	100.4
Glyndon	154.6	122.9
Hawley	179.9	97.7
Moorhead	203.5	107.0
Ulen-Hitterdal	188.1	124.8
Clearwater County:		
Bagley	187.0	79.4
Clearbrook	161.5	102.1
Gonvik	184.1	92.6
Cook County:		
Grand Marais	118.6	(1)
Cottonwood County:		
Jeffers	130.1	102.0
Mountain Lake	125.4	95.9
Storden	173.2	102.7
Westbrook	143.0	122.3
Windom	158.7	122.6
Crow Wing County:		
Brainerd	171.5	96.4
Crosby-Ironton	158.7	91.7
Pequot Lakes	98.5	89.0
Dakota County:		
Burnsville	181.3	128.0
Farmington	164.9	106.4
Hastings	171.2	101.8
Inver Grove-Pine Bend	165.8	101.7
Lakeville	192.4	114.0
Randolph	128.5	99.6
Rosemount	176.4	106.5
South St. Paul	206.8	158.8
West St. Paul	157.2	120.9
Dodge County:		
Claremont	129.4	90.2
Dodge Center	190.8	102.5
Hayfield	151.5	94.4
Kasson-Mantorville	161.1	98.7
West Concord	165.6	103.5
Douglas County:		
Alexandria	184.3	99.0
Brandon	148.4	69.1
Evansville	137.4	93.5
Kensington	225.6	101.1
Osakis	130.2	97.4
Faribault County:		
Blue Earth	167.4	112.6
Bricelyn	140.9	99.3
Delavan	127.1	101.4
Elmore	170.6	97.7
Frost	136.3	101.7
Kiester	158.8	99.9
Minnesota Lake	142.1	(1)
Wells	143.8	96.7
Winnebago	165.8	111.7
Fillmore County:		
Harmony	171.8	96.9
Lanesboro	184.7	(1)
Mabel	198.7	99.5
Peterson	220.4	101.0
Preston	191.7	99.1
Rushford	197.3	97.7
Spring Valley	165.2	83.9
Wykoff	189.2	101.4
Freeborn County:		
Albert Lea	154.5	NA
Alden	141.3	107.7
Emmons	132.5	93.8
Freeborn	106.6	97.4
Glenville	115.3	86.8
Goodhue County:		
Cannon Falls	207.5	91.7
Goodhue	133.6	86.6
Kenyon	160.0	100.4
Pine Island	135.3	98.9
Red Wing	139.4	90.2
Wanamingo	204.1	110.2
Zumbrota	183.9	109.2
Grant County:		
Ashby	139.3	88.4
Barrett	204.5	105.3
Elbow Lake	173.5	98.9
Herman	148.0	103.0
Hoffman	168.9	98.7

COMPARISON OF PRESENT SCHOOL MAINTENANCE MILL RATES WITH THOSE UNDER PROPOSED OCTOBER COMPROMISE BILL—Continued

School district	Present	Proposed
Hennepin County:		
Bloomington	166.8	124.7
Brooklyn Center	198.8	129.6
Eden Prairie	116.4	96.5
Edina	126.3	118.7
Golden Valley	160.0	140.2
Hopkins	172.9	154.6
Minneapolis	120.1	99.1
Minnetonka	198.0	144.8
Mound	173.9	131.0
Orono	199.0	145.8
Osseo	157.2	95.8
Richfield	191.5	137.1
Robbinsdale	165.1	106.0
St. Anthony Village	151.5	143.9
St. Louis Park	176.0	147.0
Wayzata	142.5	137.2
Houston County:		
Caledonia	203.4	101.9
Houston	128.6	92.6
La Crescent	145.1	92.1
Spring Grove	164.0	107.7
Hubbard County:		
Akeley	257.1	96.6
Laporte	264.5	101.3
Nevis	218.5	101.3
Park Rapids	138.8	87.9
Isanti County:		
Braham	230.8	92.4
Cambridge	197.8	108.5
Itasca County:		
Coleraine	137.1	91.8
Deer River	188.5	84.8
Grand Rapids	151.4	101.1
Nashwauk-Keewatin	354.2	244.6
Jackson County:		
Heron Lake	153.7	101.7
Jackson	120.0	103.0
Lakefield	104.0	97.5
Okabena	140.1	103.8
Sioux Valley	114.4	103.8
Kanabec County:		
Mora	125.9	87.8
Ogilvie	131.0	86.5
Kandiyohi County:		
Atwater	174.3	128.6
New London	151.7	102.8
Raymond	160.3	101.1
Willmar	154.5	95.1
Kittson County:		
Hallock	191.8	119.1
Humboldt	134.1	96.8
Karlstad	174.8	85.5
Kennedy	175.5	105.3
Lancaster	97.3	[illegible]
Koochiching County:		
International Falls	164.3	114.8
Little Fork	167.1	81.4
South Koochiching-Rainy River	347.8	164.0
Lac Qui Parle County:		
Bellingham	127.3	98.7
Dawson	147.8	96.0
Madison	136.4	92.6
Marietta	139.5	98.7
Lake: Two Harbors	171.5	113.5
Lake of the Woods County: Lake of the Woods	221.2	83.4
Le Sueur County:		
Cleveland	184.3	103.6
Le Center	132.2	98.6
LeSueur	178.3	99.8
Montgomery	170.6	94.7
Waterville	205.6	101.9
Lincoln County:		
Hendricks	155.1	87.0
Ivanhoe	169.2	93.1
Lake Benton	138.5	86.7
Tyler	133.4	80.9
Verdi	177.4	100.4
Lyon County:		
Balaton	148.4	98.1
Cottonwood	140.2	94.7
Lynd	171.8	100.7
Marshall	185.4	124.
Minneota	121.6	81.0
Russell	135.1	92.0
Tracy	137.7	99.0
Mahnomen County:		
Mahnomen	144.4	71.5
Waubun	147.3	86.7
Marshall County:		
Alvarado	140.6	102.6
Argyle	162.9	100.3
Middle River	187.7	94.6
Newfolden	159.5	99.6
Oslo	174.8	122.9
Stephen	142.1	101.0
Strandquist	142.4	101.7
Warren	184.2	97.7
Martin County:		
Ceylon	147.8	102.4
East Chain	136.2	103.8
Fairmont	154.1	109.7
Granada-Huntley	149.5	(1)
Sherburn	98.5	78.5
Tri-Mont	122.2	102.4
Truman	117.8	102.5
Welcome	142.3	102.0
McLeod County:		
Brownton	159.3	96.4
Glencoe	179.3	121.8
Hutchinson	154.6	102.3
Lester Prairie	184.9	94.6
Silver Lake	184.7	101.7
Stewart	146.3	97.0
Meeker County:		
Cosmos	144.5	95.5
Dassel-Cokato	162.0	93.8
Eden Valley	156.8	89.6
Grove City	175.0	91.7
Litchfield	194.2	101.0
Mille Lacs County:		
Isle	175.0	93.1
Milaca	174.3	76.0
Onamia	116.9	86.4
Princeton	185.8	105.8
Morrison County:		
Little Falls	230.5	89.1
Motley	186.4	87.6
Pierz	147.1	83.5
Randall	226.4	91.0
Royalton	221.1	81.6
Swanville	339.7	107.0
Upsala	250.4	107.8
Mower County:		
Adams	128.6	97.6
Austin	190.5	123.7
Elkton	150.5	107.1
Grand Meadow	156.2	105.6
LeRoy	152.8	88.3
Lyle	146.3	101.2
Rose Creek	184.4	106.0
Murray County:		
Chandler	147.5	98.8
Fulda	176.6	99.3
Lake Wilson	158.9	96.2
Slayton	220.3	96.7
Nicollet County:		
Nicollet	143.5	114.9
St. Peter	154.3	112.3
Nobles County:		
Adrian	126.8	83.2
Brewster	157.0	102.0
Ellsworth	118.5	85.0
Round Lake	154.0	100.2
Worthington	143.5	124.6

COMPARISON OF PRESENT SCHOOL MAINTENANCE MILL RATES WITH THOSE UNDER PROPOSED OCTOBER COMPROMISE BILL—Continued

School district	Present	Proposed
Norman County:		
Ada	127.7	97.0
Borup	149.1	108.0
Gary	180.5	101.7
Halstad	139.5	102.4
Hendrum	127.3	101.8
Twin Valley	216.1	100.3
Olmsted County:		
Byron	181.2	97.7
Chatfield	193.5	99.6
Dover-Eyota	124.8	92.4
Rochester	180.3	133.8
Stewartville	154.6	103.1
Otter Tail County:		
Battle Lake	139.5	101.2
Deer Creek	313.9	105.0
Fergus Falls	173.3	97.1
Henning	174.6	94.5
New York Mills	172.1	94.8
Parkers Prairie	184.8	88.8
Pelican Rapids	125.1	92.3
Perham	158.2	90.5
Underwood	195.6	93.4
Pennington County:		
Goodridge	242.0	107.2
Thief River Falls	219.5	141.6
Pine County:		
Askov	244.1	102.2
Finlayson	231.7	106.4
Hinckley	209.8	73.6
Pine City	140.3	83.4
Sandstone	173.4	94.9
Willow River	194.6	88.1
Pipestone County:		
Edgerton	129.6	99.3
Jasper	122.9	96.0
Pipestone	178.7	98.7
Ruthton	163.9	95.7
Polk County:		
Climax	154.5	103.1
Crookston	177.9	115.6
East Grand Forks	156.6	94.6
Erskine	258.2	112.5
Fertile	195.8	102.1
Fisher	118.2	103.5
Fosston	179.8	85.6
McIntosh	212.3	101.4
Mentor	227.0	103.9
Pope County:		
Cyrus	177.1	100.3
Glenwood	201.5	95.9
Starbuck	194.0	97.3
Villard	179.9	83.9
Ramsey County:		
Mounds View	196.1	156.5
North St. Paul	192.5	140.5
Roseville	182.9	157.8
St. Paul	129.8	104.0
White Bear Lake	248.9	151.6
Red Lake County:		
Oklee	144.7	95.0
Plummer	183.8	82.4
Red Lake Falls	234.6	87.8
Redwood County:		
Belview	142.5	92.6
Lamberton	124.4	83.2
Milroy	125.0	93.7
Morgan	112.8	102.6
Redwood Falls	121.9	88.7
Sanborn	99.7	82.7
Wabasso	100.9	84.3
Walnut Grove	112.7	83.8
Renville County:		
Bird Island	135.2	131.7
Buffalo Lake	132.3	99.5
Danube	169.8	122.6
Fairfax	113.7	95.9
Franklin	127.3	95.8
Hector	120.0	87.3
Morton	142.4	97.1
Olivia	144.2	95.1
Renville	148.3	103.5
Sacred Heart	140.4	96.5
Rice County:		
Faribault	178.7	116.0
Morristown	172.9	146.5
Northfield	212.5	147.3
Rock County:		
Hills-Beaver Creek	144.3	103.3
Luverne	128.0	92.9
Magnolia	154.1	100.3
Roseau County:		
Badger	199.9	102.1
Greenbush	280.9	82.6
Roseau	248.1	107.5
Warroad	244.7	93.1
St. Louis County:		
Aurora	118.1	63.5
Babbitt	167.5	99.3
Biwabik	175.9	95.1
Buhl	[illegible]	
Chisholm	137.2	95.9
Ely	277.4	161.1
Duluth	157.4	103.1
Eveleth	262.9	90.1
Floodwood	172.4	96.4
Gilbert	182.2	124.8
Hermantown	237.9	93.2
Hibbing	246.6	127.8
Mountain Iron	210.4	89.1
Proctor	192.5	96.1
St. Louis Co., U.T.	340.4	113.2
Tower-Soudan	204.7	152.3
Virginia	151.4	83.9
Scott County:		
Belle Plaine	154.6	106.1
Jordan	223.2	120.3
New Prague	171.0	109.4
Prior Lake	220.8	122.0
Shakopee	182.8	130.9
Sherburne County:		
Becker	258.3	111.2
Big Lake	193.2	92.1
Elk River	238.3	104.2
Sibley County:		
Arlington	136.8	94.1
Gaylord	142.8	99.5
Gibbon	121.8	100.7
Henderson	204.7	97.8
Winthrop	132.5	100.5
Stearns County:		
Albany	135.0	98.6
Belgrade	163.2	104.2
Brooten	217.2	103.5
Cold Spring	185.2	87.4
Holdingford	164.6	87.7
Kimball	184.7	92.3
Melrose	179.5	90.8
Paynesville	189.8	96.2
Sartell	196.1	100.3
Sauk Centre	145.9	93.3
St. Cloud	181.8	99.7
Steele County:		
Blooming Prairie	118.4	94.1
Ellendale	111.6	82.2
Medford	137.5	88.9
Owatonna	128.2	93.0
Stevens County:		
Chokio	146.9	90.0
Hancock	115.0	92.2
Morris	182.9	102.0
Swift County:		
Appleton	154.6	80.8
Benson	153.2	101.4
Kerkhoven	134.4	62.9
Murdock	192.1	101.8
Todd County:		
Bertha	270.3	95.2
Browerville	194.3	96.5
Clarissa	208.1	86.5
Eagle Bend	258.7	59.0
Grey Eagle	218.6	83.2
Long Prairie	177.8	86.2
Staples	182.2	87.3

COMPARISON OF PRESENT SCHOOL MAINTENANCE MILL RATES WITH THOSE UNDER PROPOSED OCTOBER COMPROMISE BILL—Continued

School district	Present	Proposed	School district	Present	Proposed
Traverse County:			Watonwan County:		
Browns Valley	174.9	86.5	Butterfield	136.0	104.8
Tintah	187.3	94.2	Madelia	129.5	85.3
Wheaton	158.3	93.5	St. James	145.1	96.7
Wabasha County:			Wilkin County:		
Elgin	158.5	83.5	Breckenridge	186.4	108.7
Lake City	152.7	97.0	Campbell	142.2	100.4
Mazeppa	201.1	94.8	Rothsay	110.3	89.4
Plainview	197.9	91.2	Winona County:		
Wabasha	157.6	94.7	Lewiston	168.8	89.3
Wadena County:			St. Charles	226.2	95.1
Menahga	169.4	75.9	Winona	157.3	91.8
Sebeka	212.1	84.1	Wright County:		
Verndale	257.5	85.0	Annandale	170.0	93.3
Wadena	165.5	80.7	Buffalo	195.7	93.1
Waseca County:			Delano	202.0	97.2
Janesville	151.8	89.2	Howard Lake	210.3	108.5
New Richland	177.3	91.0	Maple Lake	231.1	100.0
Waldorf-Pemberton	178.5	93.6	Monticello	75.7	82.6
Waseca	153.1	94.2	Rockford	195.7	149.2
Washington County:			St. Michael	218.8	99.6
Forest Lake	219.1	105.8	Yellow Medicine County:		
Mahtomedi	250.9	133.5	Canby	145.0	78.1
St. Paul Park	211.6	134.0	Clarkfield	137.9	97.1
Stillwater	173.9	159.1	Echo	141.8	97.7
			Granite Falls	152.7	97.2
			Wood Lake	144.6	105.1

1 Not available.

Note: All school maintenance mill rates in this table are for nonagricultural property. Agricultural property is taxed at 25 mills less according to existing law.

OUTLINE OF FEATURES OF TAX BILL RELATING TO SCHOOL FINANCE

The portions of the omnibus tax bill that relate to school finance may be conveniently divided into four categories: 1) formulas and manner of payment of state aids, 2) tax levies, 3) reporting provisions, and 4) appropriations.

1. Formulas and Manner of Payment of State Aids

(*a*) For 1971–1972 the basic foundation aid formula is for all districts:

$600 times the number of resident pupil units minus 30 mills (.030) times dollars of 1970 adjusted assessed (EARC) valuation, but not less than $215 per pupil unit; and for 1972–1973: $750 times the number of resident pupil units minus 30 mills (.030) times dollars of 1970 adjusted assessed (EARC) valuation, but not less than $215 per pupil unit.

Unless, the district spent fewer than $663 in adjusted state and local maintenance costs per pupil unit in 1970–1971, in which case the formula for 1972–1973 is: 1970–1971 adjusted state and local maintenance cost per pupil unit in average daily membership plus $87 times the number of resident pupil units minus *the fraction of* 30 mills (.030) *that 87 plus, the above cost is 750 times* the dollars of 1970 adjusted assessed (EARC) valuation, but not less than $215 per pupil unit.

(Enriched formula; old formula: $404 times the number of resident pupil units minus 20 mills (.020) times the 1967 adjusted assessed (EARC) **valuation).**

(*b*) AFDC Aid:

Pupils from families receiving aid for families with dependent children (AFDC) are weighted an additional .5 pupil unit, and aid is paid for them (as a barometer for compensatory education) at the rate of $600 per pupil unit in 1971–1972 and $750 per pupil unit in 1972–1973, regardless of how aid is computed for all other pupil unit. (New).

(*c*) Declining Enrollment:

In districts having a decline in enrollment from the past year to the current year, the average of the two years' enrollment is used in computing pupil units for aid purposes, thus only ½ the loss is recognized. (New).

(*d*) Taxable Property Only:

1970 EARC includes, generally, only property currently taxed in the district; (EARC valuations used in recent formulas included personal property that was not taxed locally).

(*e*) Per Capita Payments:

November 1971 state payment of sales tax per capita aid is deducted from foundation aid amount; thereafter this aid is discontinued to school districts. (Previously this payment was received in addition to foundation aid).

(*f*) Exempt Property Replacement:

State payment to replace tax receipts from personal property exempted by 1967 Sales Tax Act is discontinued after payment of July, 1971.

(*g*) Ag Differential:

With the fall 1971 levy, the state assumes payment of the 25 local mill difference between the tax rate applied against ag land and that applied against non-ag land. The payment is applied to reduce local levies, is not a direct payment to schools, and lowers the tax rate for both the local ag and non-ag taxpayer. (Previously, the millage differential was borne by the local non-ag taxpayer).

(*h*) Guaranteed Aid:

The state guarantees that for 1971-1972, the sum of state aid from the foundation formula, sales tax per capita distribution, exempt personal property replacement and ag differential payments will not be less than the sum of state aid from the same sources in 1970-1971; for 1972-1973, the guarantee is that the sum of state aid from the same sources will not be less than the sum of state aid from the same sources for 1971-1972. (Old guarantee applied only to foundation aid amount).

(*i*) Aid Reduction:

Districts which receive special payments in lieu of property taxes on taconite or railroad property, shall have their current year's foundation aid reduced by 20% of the prior year's special payment in 1971-1972, and 30% in 1972-1973. Thereafter the reduction in the current year's foundation aid shall equal the percentage that the maintenance levy is of the sum of all school levies.

Districts receiving other special payments to compensate for non-taxable valuation (except for declining auditor's valuation), shall have the current year's foundation aid reduced by 10% of the prior year's special payment in 1971-1972 and in 1972-1973; thereafter, the reduction is the same as for districts receiving special payments in lieu of taconite and railroad property taxes. (Substantially modified and extended).

(*j*) ADM:

Pupil units are counted on the basis of average daily membership, that is, on the number of students enrolled, whether present or not. (Previously average daily attendance was used, that is, only those present each day were counted).

(*k*) Quality Education Council:

Article XV created a new Council on Quality Education made up of most of the professional educational organizations, and 8 disinterested citizens. The Council may recommend to the State Board of Education, funding of grants or loans for innovative programs in education. $750,000 is appropriated for this purpose. (New).

(*l*) When Paid:

10% of this year's estimated foundation aid will be paid each month September through May (in 1971-1972 payments will be 13% each month November through May) with the final distribution in August. (Previously, supposed to have been paid in September, March and August).

(*m*) Homestead Credit Installments:

The semiannual payment from the state to the counties for allocation to school districts for reduction of levies attributable to homestead credit, scheduled for November 15, 1971, will be paid in 3 installments; November 15, 1971, January 15, 1972 and March 15, 1972. (1 time only).

(*n*) $10 Census Aid Discontinued:

This is merely an accounting transfer and does not affect the number of dollars a district will receive.

(o) Personal Property Replacement:

The state will reimburse school districts for taxes lost because of the exemption imposed by this act on business personal property beginning with taxes payable in 1973. School districts can expect to receive between $4 and $5 million in March 1973, and a similar amount in July of the following fiscal years for this reason. The money is to be used to reduce local levies and is not a direct payment to schools. (new).

(p) Gross Earnings Refunds:

Paid to districts in lieu of railroad property taxation—shall be computed based upon the 1969 EARC valuation of the district exclusive of class 2 personal property and exclusive of personal property exempted by the 1967 Sales Tax Act. (Previously prior year's EARC used, including exempt personal property).

(q) Cost and Pupil Allocation:

In the case of a recently consolidated district, for purposes of determining the prior year's maintenance cost and pupil units, an allocation formula based on proportions of taxable value in the pre-existing districts shall be used; in any event the maintenance cost shall not be less than the same cost in the pre-existing district(s) maintaining secondary school. (New).

2. *Tax Levies*

(a) Basic Maintenance Levy:

(1) In 1971 payable 1972: the fraction of 30 1970 EARC mills that $87 plus the 1970–1971 district maintenance cost per pupil unit in average daily membership (ADM) is of 750, but not more than the amount raised by 30 1970 EARC mills.

(2) In 1972–1973: the fraction of 30 1971 EARC mills that 125 plus the 1970–1971 district maintenance cost per pupil unit in ADM is of 750, but not more than the amount raised by 30 1971 EARC mills. (Previously, flat dollars per unit times cost of living factors; special laws for most larger districts).

(3) Referendum: This basic levy may be increased by a specific millage in a referendum at the time school board elections are held or would be held or in September. A subsequent referendum may revoke the increase. Authority for a referendum exists only through the 1972 levy payable in 1973.

(b) *Add-On Grandfather Maintenance Levy:*

(1) In 1971, payable 1972: the amount per pupil unit by which $87 plus the 1970–1971 maintenance cost per pupil unit in ADM after deducting the amount of reimbursement to be received in 1971–1972 for 1970–1971 classes for handicapped students exceeds $750, but, for first class city districts only, this additional levy is limited to 1.5 1970 EARC mills.

(2) In 1972, payable 1973, a district which qualified for an additional levy the preceding year, may levy the same additional amount per pupil unit, permitted the preceding year, but only if the additional amount per pupil unit permitted the preceding year plus 750 exceeds 788. First class city districts, if they qualify, are limited to an additional levy of 1.5 1971 EARC mills. (New).

(c) *Other General Levies:*

(1) Long-Term Debt: Amounts necessary to make payments for bonds, interest, debt service loans and capital loans.

(2) Capital Outlay: Not to exceed 8 of the preceding year's EARC mills, but not more than 2 EARC mills more than the preceding year. Proceeds expressly limited to capital outlay purposes, and expressly prohibited from use for custodial services. (More restrictive).

(3) Transportation Costs: Estimate of next year's costs less current year's reimbursement. Limited to the kind of transportation cost which is partially reimbursable. (New).

(d) *Special Levies:*

(1) Vocational School: Districts maintaining post secondary area vocational-technical school may make an additional levy exclusively for this

school; in first class city districts this levy is limited to .5 of a mill on the preceding year's EARC valuation. (New).

(2) Current Debt: If existing current receipts less current debt as specifically defined in Article XX, section 8, subdivision 3, paragraph 6(B) is insufficient to allow a district to increase its 1970–1971 maintenance cost per pupil unit by $42, then a district either (A) may levy 1 time only up to 1.5 1970 EARC mills (.5 in first class city districts) upon the authorization of the Commissioner of Education or (B) if (A) is insufficient to increase maintenance expenditures by $42 per pupil unit then a district may issue general obligation bonds of an amount sufficient to meet the deficiency, provided that the levy to pay the principal and interest on the bonds may not exceed 1.5 1970 EARC mills (.5 in first class city districts), again after authorization by the commissioner. (Presumably an annual levy of 1.5 or .5 mills is authorized under (B) but this is not expressly stated. (New).

(3) Liabilities of a Dissolved District: A consolidated district may levy for the assumed net liabilities of a dissolved district, an amount up to 20% of the school levy per year, which additional amount will be applied only against the taxable property in the dissolved district. (Clarified).

(4) 1st Class Cities Retirement: Certain levies to meet retirement fund obligations in first class city districts are exempted from the school levy limitations in this article.

(5) Umbrella Vocational Districts: Levies for the three suburban umbrella vocational districts numbered 287, 916 and 917 are exempted from the levy limitations in this article.

(e) Penalty: The penalty for exceeding the authorized levies is loss of state aid in the succeeding years equal to ½ the excess levy. (New).

(f) Pupil Estimate: Districts may use an estimate of the current year's pupil units in setting their levy, and if their real increase in pupil units more than 5% they may use an estimate of the next year's pupil units; both estimates are subject to adjustment. (Improved for fast growing districts).

(g) Prior Law: The terms of the levy limitation section expressly supersede any contrary character provision or general or special law. (Previously 8 character or special provisions prevailed).

(h) Compliance: Each district shall submit a certificate of compliance with the limitations imposed to the Commissioners of Education and Taxation on a form prescribed by the Commissioner of Taxation. (New).

(i) Pensions and Insurance Levies: Levies for state employees retirement associations, employers contribution for public employees social security coverage, and for group insurance, must be made within the limitations imposed by Article XX. (New).

(j) Taconite Levies: Districts receiving certain payments in lieu of taconite property taxation and commensurate reductions in their levies shall have their levies adjusted to reflect the fact that an amount equal to a portion of its special payment is deducted from their foundation aid. (New).

3. *Reporting Provisions:*

(a) Vocational Expenditures: Districts maintaining post secondary area vocational-technical schools must report receipts and expenditures for such schools to the Commissioner by September following the close of the fiscal year. (Modification and delay of current report).

(b) Itemized Aids: The Department of Education shall itemize total aid and aid per pupil unit accruing to each district in each category of aid or payment, state and federal, and make the results available to the legislature. (New).

(c) AFDC Weighting: The state Board of Education is directed to report to the 1973 legislature on the adequacy and equity of the AFDC weighting as an index of educational overburden. (New).

(d) Expenditures by Building: The boards of education in first class cities—must report by January 15, 1973 to the Commissioner on instructional expenditures by school building in 1971–1972, with estimates for 1972–1973. (New).

(e) Debt or Surplus: Each year each district shall report to the commissioner on its operating debt or surplus, which are specifically defined in section 22 of article XX. The Commissioner must in turn report to the Legislature by January 15, 1973 his findings based on these reports. (More detailed).

4. *Appropriations—Direct and Open—With Comparisons:*

(a) Comparison of General State Aids Paid or to be Paid Directly to Schools: 1970–1973.

[In millions of dollars, for the fiscal year ending June 30]

	1970	1971	1972	1973
Foundation aid (including, if paid, $10 census aid, apportionment, and sales tax per capita aid—for comparative purposes)	253.6	270.6	390.3	529.5
Transportation reimbursement	21.3	23.7	25.2	31.3
Classes for handicapped	17.1	15.6	18.6	21.2
Nonfoundation vocational aid	14.9	20.7	27.9	36.7
Emergency aid	2.0	6.3	4.0	(¹)
Total	308.9	340.2	466.0	618.7

¹ Balance.

(b) Additional State Payments: In addition to the above payments, the state makes other direct payments to certain school districts through special line item appropriations, and has or will make indirect payments for school-related expenditures in the name of exempt personal property replacement, homestead credit, pension obligations, and the new 25 mill agricultural land differential aid. The total of these additional payments, was, or will be, on the order of, in millions of dollars: 135 (1970); 156 (1971); 150 (1972); 135 (1973). The leveling off and decline is due to discontinuance of the exempt personal property replacement payments and a decrease in homestead credit due to lower property taxes, which is not entirely offset by the new age differential aid or increased pension obligations.

(c) Percentage of State Support: The percentage level of state support, when all state payments are considered, while it cannot easily be derived from the above figures, was about 50% of all adjusted state and local elementary and secondary maintenance expenditures in both fiscal 1970 and fiscal 1971, should be about 60% in fiscal 1972, and will approach if not not exceed 70% in fiscal 1973. When the total school district state and local current expense is computed the percentage level of state support is even higher, at least for the first three years compared because transportation and vocational costs are included in current expense but not in the maintenance figure, and the state has been supporting these programs at a higher percentage level than the general elementary and secondary instructional program.

COMPARISON BY SCHOOL DISTRICT OF H.F. 5 (VETOED BILL) AND OCTOBER COMPROMISE BILL

OCTOBER COMPROMISE BILL

1971–72: $600–30 EARC mills (1970 valuation) with a minimum of $215 per pupil unit. (Secondary pupils equal 1.40 units) (AFDC pupils equal additional 0.5 units).

1972–73: $750–30 EARC mills (1970 valuation) "hold harmless" provision. (Secondary pupils equal 1.40 units.) (AFDC pupils equal additional 0.5 unit.)

H.F. 5

1971–72: $520–22 EARC mills (1968 valuation), with a minimum of $180 per pupil unit. (Secondary pupils equal 1.35 units.)

1972–73: $560–23 EARC mills (1969 valuation) with a minimum of $190 per pupil unit. (Secondary pupils equal 1.30 units.)

Note: AFDC payments have been included for only multiples, St. Paul and Duluth in both H.F. 5 and October Compromise Bill.

	October bill				H.F. 5		
School district	Present aid foundation and sales tax per capita plus exempt property reimbursement 1970-71	Proposed Aid foundation plus ½ exempt property reimbursement 25 mill as takeover, 1971-72	Proposed aid foundation plus 75 mill as takeover, 1972-73	1971-72, 1972-73 Total	1971-72	1972-73	1971-72 1972-73 Total
Aitkin County:							
Aitkin	640,967	879,990	979,513	1,859,503	841,779	875,090	1,716,869
Hill City	158,706	245,139	297,625	542,764	223,553	257,833	481,386
McGrath	70,049	93,528	120,395	213,923	87,887	103,988	191,875
McGregor	238,614	336,468	381,794	718,262	322,132	330,581	652,713
Anoka County:							
Anoka	10,273,048	15,658,745	19,489,798	35,148,543	15,502,033	17,680,456	33,182,489
Centennial	1,367,971	2,171,426	2,929,078	5,100,504	2,049,357	2,263,621	4,312,978
Columbia Heights	2,357,166	3,205,512	4,499,244	7,704,756	3,434,409	3,696,275	7,130,684
Fridley	2,037,409	2,717,582	3,713,199	6,430,781	2,801,606	3,002,993	5,804,599
St. Francis	536,952	1,278,073	1,535,916	2,813,989	1,225,461	1,361,497	2,586,958
Spring Lake Park	1,920,355	2,422,950	3,437,969	5,860,919	2,691,315	2,799,270	5,490,585
Becker County:							
Audubon	125,105	169,750	190,344	360,094	162,821	168,715	331,536
Detroit Lakes	1,229,317	1,785,044	1,956,494	3,741,538	1,682,616	1,804,444	3,487,060
Frazee	586,190	858,272	913,380	1,771,652	776,474	820,388	1,596,862
Lake Park	212,015	276,964	315,533	592,497	264,017	271,754	535,771
Beltrami County:							
Bemidji	1,494,305	2,178,427	2,519,075	4,697,502	2,083,771	2,242,835	4,326,606
Blackduck	339,947	512,035	519,377	1,031,412	459,106	489,592	949,698
Kelliher	143,523	217,302	236,976	454,278	194,081	204,659	398,740
Red Lake	335,958	542,125	542,125	1,084,250	477,617	519,638	997,255
Benton County:							
Sauk Rapids	838,807	1,193,899	1,243,117	2,437,016	1,244,013	1,403,514	2,647,527
Foley	817,578	1,211,181	1,416,210	2,627,391	1,065,568	1,147,559	2,213,127
Big Stone County:							
Beardsley	77,969	118,875	144,340	263,215	102,390	105,584	207,974
Clinton	98,145	133,675	161,675	295,350	123,545	128,345	251,890
Graceville	196,040	280,071	295,878	575,949	256,846	268,636	525,482
Ortonville	365,113	584,530	650,077	1,234,607	532,226	548,149	1,080,375
Blue Earth County:							
Lake Crystal	243,750	324,852	415,032	740,884	313,467	324,848	638,315
Mapleton	167,529	263,213	328,979	592,192	231,878	244,178	476,056
St. Clair	177,077	294,882	403,491	698,373	265,573	289,561	555,134
Mankato	2,389,915	2,979,409	4,235,404	7,214,813	3,453,194	3,587,425	7,040,619
Garden City	187,025	239,434	278,841	518,275	172,410	180,987	353,397
Amboy-Good Thunder	95,746	189,799	189,799	379,598	113,652	123,364	237,016
Brown County:							
Comfrey	97,683	178,617	178,617	357,234	114,124	122,276	236,400
Sleepy Eye	183,312	272,405	378,770	651,175	235,416	264,951	500,367
Springfield	185,378	273,138	300,518	573,656	219,239	235,464	454,703
New Ulm	741,110	991,625	1,519,541	2,511,166	1,093,139	1,197,231	2,290,370
Carlton County:							
Barnum	369,254	529,852	552,810	1,082,662	477,930	496,623	974,553
Carlton	339,715	469,977	643,114	1,113,091	481,056	503,583	984,639
Cloquet	1,341,845	1,844,318	2,344,712	4,189,030	1,849,579	1,971,309	3,820,888
Cromwell	196,224	260,196	320,136	580,332	236,639	260,969	497,608
Moose Lake	358,799	488,886	541,675	1,030,561	456,503	468,184	924,687
Thompson Township	427,917	611,274	778,104	1,389,378	583,451	647,107	1,230,558
Wrenshall	133,617	137,910	180,332	318,242	160,845	170,709	331,554
Carver County:							
Norwood-Y.A.	177,097	311,598	430,311	741,909	308,011	364,884	672,895
Waconia	354,029	472,448	673,717	1,146,165	518,265	559,545	1,077,810
Watertown	342,433	500,280	563,248	1,063,528	475,966	505,605	981,571
Chaska	659,783	1,165,863	1,877,061	3,042,924	1,268,987	1,538,207	2,807,194
Cass County:							
Backus	90,681	115,685	150,342	266,027	115,786	118,855	234,641
Cass Lake	294,371	405,545	527,780	933,325	421,603	442,554	864,157
Pillager	138,705	204,244	241,120	445,364	195,607	209,130	404,737
Pine River	374,717	532,079	558,450	1,090,529	494,197	521,248	1,015,445
Remer	216,700	306,231	401,585	707,816	321,926	335,132	657,058
Walker	229,897	298,359	364,091	662,450	317,415	337,553	654,968
Chippewa County:							
Clara City	230,273	305,852	368,453	674,305	287,652	301,051	588,703
Maynard	135,919	201,833	247,827	449,660	179,811	186,109	365,920
Milan	92,680	129,251	135,018	264,269	98,323	102,656	200,979
Montevideo	724,890	998,330	1,306,906	2,305,236	939,166	997,529	1,936,695
Chisago County:							
North Branch	585,638	893,879	1,068,561	1,962,440	866,056	1,002,948	1,869,004
Rush City	358,692	529,072	614,299	1,143,371	504,107	542,059	1,046,166
Taylors Falls	141,129	222,194	251,891	474,085	211,035	225,467	436,502
Chisago Lakes	661,196	1,053,314	1,353,517	2,406,831	1,027,232	1,183,314	2,210,546

	October bill				H.F. 5		
School district	Present aid foundation and sales tax per capita plus exempt property reimbursement 1970-71	Proposed Aid foundation plus ½ exempt property reimbursement 25 mill ag takeover, 1971-72	Proposed aid foundation plus 25 mill ag takeover, 1972-73	1971-72, 1972-73 Total	1971-72	1972-73	1971-72, 1972-73 Total
Clay County:							
Glyndon	232,781	310,423	407,614	718,037	295,415	397,171	692,586
Barnesville	321,084	447,489	555,142	1,002,631	433,699	449,908	883,607
Dilworth	225,891	414,667	519,281	933,948	380,144	431,597	811,741
Hawley	306,299	406,699	426,476	833,175	394,976	404,902	799,878
Moorhead	2,579,827	3,656,052	4,893,776	8,549,828	3,742,157	3,887,793	7,629,950
Ulen-Hetterdal	163,683	215,215	281,067	496,282	209,510	216,528	426,038
Clearwater County:							
Gonvick	77,291	86,885	111,474	198,359	99,536	102,370	201,906
Clearbrook	156,161	187,403	256,493	443,896	207,131	213,279	420,410
Bagley	451,448	697,903	775,440	1,473,343	637,378	702,643	1,340,021
Cook County: Grand Marais	245,397	305,003	440,199	745,202	361,562	370,120	731,682
Cottonwood County:							
Jeffers	84,843	129,984	129,984	259,968	95,185	99,024	194,209
Mountain Lake	258,089	356,594	406,926	763,520	301,860	315,085	616,945
Storden	65,513	92,474	106,501	198,975	71,438	78,072	149,510
Westbrook	151,387	211,482	235,752	447,234	175,762	182,944	358,706
Windom	653,665	855,693	1,133,122	1,988,815	833,384	873,909	1,707,293
Crow Wing County							
Brainerd	2,270,309	3,197,776	4,028,948	7,226,724	3,268,567	3,497,556	6,766,123
Crosby-Ironton	671,315	883,257	1,059,499	1,942,756	876,750	937,997	1,814,747
Pequot Lakes	127,370	251,722	254,827	506,549	179,327	205,076	384,403
Dakota County							
Burnsville	2,163,264	2,855,441	4,752,324	7,618,765	3,619,662	3,988,182	7,607,844
Farmington	582,038	838,027	1,060,828	1,898,855	875,695	955,315	1,831,010
Hastings	1,617,538	2,579,885	3,188,384	5,768,268	2,604,191	2,890,132	5,494,323
Inver Grove-Pine Bd	1,276,124	1,841,241	2,578,478	4,419,719	1,866,182	2,101,402	3,967,584
Lakeville	866,437	1,276,952	1,757,020	3,033,972	1,314,873	1,495,027	2,809,900
Randolph	157,708	201,301	240,316	441,617	228,513	247,191	475,704
Rosemount	1,724,762	2,720,056	4,204,754	6,924,810	3,111,838	3,804,299	6,916,137
So. St. Paul	1,827,445	2,456,844	3,578,731	6,035,575	2,539,039	2,849,627	5,388,666
West St. Paul	1,740,096	1,740,096	3,041,741	4,781,837	2,521,587	2,752,981	5,274,568
Dodge County:							
Claremont	102,340	141,754	186,139	327,993	136,585	148,375	284,960
Dodge Center	276,781	399,394	478,004	877,398	375,628	393,434	769,062
Hayfield	438,582	581,539	677,946	1,259,485	555,063	578,945	1,134,008
Kasson-Mantorville	462,073	679,226	808,020	1,487,246	636,798	689,156	1,325,954
West Concord	244,482	312,833	373,394	686,227	245,681	259,314	504,995
Douglas County:							
Alexandria	1,200,149	1,647,204	2,036,112	3,683,316	1,679,135	1,757,683	3,436,818
Brandon	184,873	277,099	277,099	554,198	250,329	264,188	514,517
Evansville	140,519	179,400	197,508	376,908	165,968	171,006	335,974
Kensington	89,402	149,939	181,552	331,491	136,614	141,294	277,908
Osakis	274,117	393,931	429,197	823,128	348,746	376,829	725,575
Faribault County:							
Blue Earth	387,049	555,165	744,224	1,299,389	520,442	539,020	1,059,462
Bricelyn	78,124	122,627	133,686	256,313	86,146	91,331	177,477
Delavan	85,780	145,062	133,731	278,793	95,695	103,141	198,836
Elmore	104,885	146,096	199,056	345,152	124,340	129,663	254,003
Frost	65,002	108,585	108,585	217,170	70,704	74,589	145,293
Kiester	140,885	207,898	273,886	481,784	178,542	185,803	364,345
Minnesota Lake	108,375	174,496	221,389	395,885	139,125	144,745	283,870
Wells	286,616	444,687	550,888	995,575	407,329	425,473	832,802
Winnebago	181,696	238,717	299,540	538,257	218,860	227,047	445,907
Fillmore County:							
Harmony	264,169	345,868	392,708	738,576	325,408	334,840	660,248
Lanesboro	202,443	278,351	342,556	620,907	255,461	266,194	521,655
Mabel-Canton	283,304	363,220	435,041	798,261	340,606	361,272	701,878
Peterson	82,028	119,440	143,422	262,862	112,481	116,990	229,471
Preston	292,510	377,593	468,412	846,005	359,235	385,148	744,383
Rushford	297,083	377,946	421,851	799,797	368,897	372,692	741,589
Spring Valley	437,088	572,357	644,726	1,217,083	545,853	575,545	1,121,398
Wykoff	166,307	222,492	260,860	483,352	209,491	219,806	429,297
Freeborn County:							
Albert Lea	2,374,587	3,150,159	4,210,240	7,360,399	3,188,636	3,372,965	6,561,601
Alden	170,858	236,250	295,226	531,476	221,590	229,297	450,887
Emmons	91,212	119,868	143,532	263,400	114,889	119,313	234,202
Freeborn	79,856	133,986	133,986	267,972	90,629	95,127	185,756
Glenville	174,499	264,872	316,930	581,802	237,795	251,467	489,262

School district	October bill				H.F. 5		
	Present aid foundation and sales tax per capita plus exempt property reimbursement 1970-71	Proposed Aid foundation plus ½ exempt property reimbursement 25 mill ag takeover, 1971-72	Proposed aid foundation plus 25 mill ag takeover, 1972-73	1971-72, 1972-73 Total	1971-72	1972-73	1971-72, 1972-73 Total
Goodhue County:							
Cannon Falls	546,506	763,022	918,554	1,681,576	744,773	814,129	1,558,902
Goodhue	280,728	382,000	428,274	810,274	365,349	388,836	754,185
Kenyon	316,688	404,855	500,774	905,629	395,145	407,321	802,466
Pine Island	347,380	502,993	588,718	1,091,711	498,414	519,789	1,018,203
Red Wing	1,249,853	1,527,559	1,994,072	3,521,631	1,720,372	1,770,559	3,490,931
Wanamingo	178,764	230,477	290,679	521,156	226,391	237,525	463,916
Zumbrota	358,031	392,248	518,085	910,333	423,709	435,405	859,114
Grant County:							
Ashby	102,691	179,545	193,275	372,820	160,810	169,444	330,254
Barrett	74,434	92,171	109,430	201,601	88,235	90,934	179,169
Elbow Lake	238,781	329,857	401,459	731,316	312,777	324,053	636,830
Herman	135,097	190,557	251,602	442,159	232,348	238,990	471,338
Hoffman	140,648	182,248	202,251	384,499	172,683	171,766	344,449
Hennepin County:							
Bloomington	9,003,277	9,003,277	13,135,082	22,138,359	11,052,878	11,422,825	22,475,705
Brooklyn Center	923,775	1,043,596	1,410,623	2,454,219	1,113,100	1,159,586	2,272,686
Eden Prairie	693,435	693,435	1,330,161	2,023,596	1,040,105	1,274,942	2,315,047
Edina	2,774,434	3,031,723	4,188,962	7,220,685	3,903,978	4,067,269	7,971,247
Golden Valley	377,846	459,966	529,058	989,024	475,912	521,850	997,762
Hopkins	3,394,294	3,394,294	4,424,670	7,818,964	4,260,303	4,415,587	8,675,890
Minneapolis	16,558,407	24,973,230	24,973,230	49,946,460	23,315,235	24,420,615	47,735,850
Minnetonka	2,586,732	3,062,103	4,622,249	7,684,352	3,440,601	3,685,826	7,126,427
Mound	1,129,273	1,398,602	2,183,706	3,582,308	1,655,602	1,808,802	3,464,404
Hennepin County:							
Orono	714,821	807,384	1,335,559	2,142,943	1,067,665	1,160,530	2,228,195
Osseo	4,932,819	6,403,270	8,859,894	15,263,164	6,726,765	7,257,862	13,984,627
Richfield	3,167,124	3,259,444	4,819,496	8,078,940	3,982,138	4,145,459	8,127,597
Robbinsdale	9,758,511	11,374,885	16,329,470	27,704,355	12,899,763	13,406,110	26,305,873
St. Anthony Village	607,278	618,023	730,239	1,348,262	805,726	841,922	1,647,647
St. Louis Park	2,925,695	2,925,695	3,603,249	6,528,944	3,425,473	3,582,751	7,008,224
Wayzata	1,893,538	1,893,538	3,087,503	4,981,041	2,621,866	2,790,571	5,412,437
Houston County:							
Caledonia	654,639	901,660	1,135,010	2,036,670	845,145	917,715	1,762,860
Houston	291,631	388,317	422,260	810,577	368,644	395,304	763,948
La Crescent	629,213	959,211	1,070,246	2,029,457	903,504	982,527	1,885,031
Spring Grove	222,490	264,601	316,783	581,384	260,761	268,303	529,064
Hubbard County:							
Akeley	119,861	167,065	205,483	372,548	151,649	168,943	320,592
La Porte	100,656	157,631	202,078	359,709	146,906	160,431	307,337
Nevis	75,560	117,158	147,954	265,112	108,120	111,795	219,915
Park Rapids	790,681	1,148,273	1,316,103	2,464,376	1,054,456	1,120,814	2,175,270
Isanti County:							
Braham	443,607	734,903	796,836	1,531,739	684,433	740,940	1,425,373
Cambridge	1,031,955	1,650,243	2,024,498	3,674,741	1,614,582	1,771,339	3,385,921
Itasca County:							
Coleraine	816,576	1,010,974	1,312,817	2,323,791	1,031,260	1,074,496	2,105,756
Deer River	479,074	645,724	733,399	1,379,123	612,792	664,362	1,277,154
Grand Rapids	1,903,152	2,275,169	3,137,108	5,412,277	2,392,064	2,508,468	4,900,532
Nashwauk-Keewatin	662,217	777,901	894,991	1,672,892	804,543	810,270	1,614,813
Jackson County:							
Heron Lake	111,359	111,359	211,043	322,402	147,694	153,436	301,130
Jackson	409,732	559,138	732,050	1,291,188	507,964	528,896	1,036,860
Lakefield	218,493	286,919	346,159	633,078	263,362	269,609	532,971
Okabena	70,703	110,181	110,181	220,362	77,319	81,938	159,247
Sioux Valley	61,912	103,214	103,214	206,428	73,729	79,743	153,472
Kanabec County:							
Mora	653,719	1,038,805	1,149,816	2,188,621	960,321	1,087,261	2,047,582
Ogilvie	274,194	413,932	431,873	845,805	374,722	404,706	779,428
Kandiyohi County:							
Atwater	213,947	249,226	298,114	547,340	291,248	301,820	593,068
New London	387,800	536,225	669,158	1,205,383	530,775	546,294	1,077,069
Raymond	163,874	213,913	252,558	466,471	200,938	207,686	408,624
Willmar	1,321,378	1,751,170	2,148,202	3,899,372	1,742,186	1,832,786	3,574,972
Kittson County:							
Hallock	158,744	201,048	278,387	479,435	210,363	209,282	419,645
Humboldt	41,445	69,923	69,923	139,846	51,394	53,952	105,346
Karlstad	209,856	230,944	250,262	481,206	229,800	227,352	457,152
Kennedy	75,925	125,389	125,389	250,778	87,321	91,921	179,242
Lancaster	120,324	136,766	146,341	283,107	133,524	132,507	266,031

School district	October bill				H.F. 5		
	Present aid foundation and sales tax per capita plus exempt property reimbursement 1970-71	Proposed Aid foundation plus ½ exempt property reimbursement 25 mill ag takeover, 1971-72	Proposed aid foundation plus 25 mill ag takeover, 1972-73	1971-72, 1972-73 Total	1971-72	1972-73	1971-72, 1972-73 Total
Koochiching County:							
International Falls	1,172,430	1,548,402	2,039,058	3,587,460	1,566,092	1,700,208	3,266,300
Little Fork	248,887	341,145	369,210	709,365	305,971	317,568	623,539
So. Koochiching-Rainy River	387,269	387,269	403,803	791,072	303,163	320,118	623,281
Lac Qui Parle County:							
Bellingham	120,554	163,536	183,764	347,300	146,146	145,889	292,035
Dawson-Boyd	293,973	396,322	481,816	878,138	381,340	379,326	760,666
Madison	334,147	435,652	528,409	964,061	406,439	409,704	816,143
Marietta	60,246	86,171	102,877	189,048	78,243	77,949	156,192
Lake County: Two Harbors	1,492,918	2,118,735	2,793,635	4,912,370	1,971,898	2,096,148	4,068,046
Lake of the Woods County: Lake of Woods	427,813	654,899	694,680	1,349,579	583,884	620,194	1,204,078
Le Sueur County:							
Cleveland	145,578	218,083	275,082	493,165	204,937	[illegible]	[illegible]
Le Center	251,459	383,021	484,408	867,429	376,064	405,909	781,973
Le Sueur	462,705	695,692	913,087	1,608,779	626,815	775,895	[illegible]
Montgomery	233,298	355,792	523,545	879,337	359,819	359,811	719,630
Waterville	331,874	480,918	[illegible]	[illegible]	450,887	461,512	912,399
Lincoln County:							
Hendricks	99,710	164,942	187,383	352,325	139,407	155,318	[illegible]
Ivanhoe	168,331	255,437	259,134	514,571	253,080	[illegible]	487,941
Lake Benton	195,977	270,330	288,500	558,830	231,251	249,845	481,096
Tyler	232,590	297,855	292,068	589,923	254,443	269,783	524,226
Verdi	51,976	74,524	83,471	157,995	55,352	61,282	116,634
Lyon County:							
Balaton	117,430	151,400	193,918	345,318	138,218	143,781	281,999
Cottonwood	165,821	225,154	279,265	504,419	207,687	217,705	425,392
Lynd	67,277	97,621	112,723	210,344	78,857	87,886	166,743
Marshall	974,921	1,260,497	1,629,134	[illegible]	1,290,823	[illegible]	[illegible]
Minneota	254,222	321,311	454,693	776,004	323,401	329,315	652,716
Russell	90,004	138,509	161,004	299,513	120,045	121,275	[illegible]
Tracy	408,537	562,670	696,296	1,258,966	520,225	550,587	1,070,812
Mahnomen County:							
Mahnomen	339,968	465,240	475,885	941,125	425,789	437,861	863,650
Waubun	389,955	542,431	579,572	1,122,003	491,221	504,596	995,817
Marshall County:							
Alvarado	57,965	85,025	85,025	170,050	67,598	66,092	133,690
Argyle	100,755	140,174	178,948	319,122	109,834	116,327	226,161
Middle River	137,556	206,611	236,447	443,058	189,624	202,756	392,380
Newfolden	190,612	241,809	305,811	547,620	281,660	288,922	570,582
Oslo	68,081	97,030	142,849	239,879	87,860	101,298	189,158
Stephen	143,001	210,679	252,217	462,896	185,471	170,659	356,130
Strandquist	78,694	80,919	103,196	184,115	105,334	98,167	203,501
Warren	297,437	416,586	503,390	919,976	372,526	393,557	766,083
Martin County:							
Ceylon	85,495	130,466	130,466	260,932	94,290	99,017	193,307
East Chain	79,744	132,246	132,246	264,492	89,206	96,227	185,433
Fairmont	892,804	1,175,062	1,673,393	2,848,455	1,246,783	1,346,173	2,592,956
Granada-Huntley	109,462	199,133	226,991	426,124	116,905	124,143	241,048
Sherburn	175,429	284,370	284,370	568,740	211,180	225,256	436,436
Trimont	122,225	169,249	169,249	338,498	121,160	127,816	248,976
Truman	175,291	287,857	287,857	575,714	205,602	219,468	425,070
Welcome	104,101	157,642	186,321	343,963	118,651	126,967	245,618
McLeod County:							
Brownton	126,304	163,841	197,423	361,264	156,636	184,091	340,727
Glencoe	560,555	756,739	980,723	1,737,462	745,599	782,839	1,528,438
Hutchinson	882,061	1,163,889	1,568,150	2,732,039	1,188,781	1,261,790	2,450,571
Lester Prairie	168,694	250,867	283,899	534,766	243,383	258,007	501,390
Silver Lake	173,834	223,781	275,692	499,473	214,661	225,650	440,311
Stewart	129,575	178,622	223,919	402,541	162,662	168,315	330,977
Meeker County:							
Cosmos	162,972	218,445	260,193	478,638	205,631	211,854	417,485
Dassel-Cokato	484,328	715,613	881,542	1,597,155	697,209	767,097	1,464,306
Eden Valley	366,578	512,792	557,406	1,070,198	485,507	511,595	997,102
Grove City	168,073	231,588	248,293	479,881	220,744	226,336	447,080
Litchfield	849,421	1,153,041	1,442,812	2,595,853	1,102,940	1,142,219	2,245,159

School district	October bill				H.F. 5		
	Present aid foundation and sales tax per capita plus exempt property reimbursement 1970–71	Proposed aid foundation plus ½ exempt property reimbursement 25 mill ag takeover, 1971–72	Proposed aid foundation plus 25 mill ag takeover, 1972–73	1971–72, 1972–73 Total	1971–72	1972–73	1971–72, 1972–73 Total
Mille Lacs County:							
Isle	211,168	294,847	319,421	614,268	286,816	297,508	584,324
Milaca	766,700	1,172,711	1,567,494	2,740,205	1,068,746	1,136,692	2,205,438
Onamia	355,371	482,166	586,061	1,068,227	480,909	516,524	997,433
Princeton	829,960	1,228,514	1,228,514	2,457,028	1,190,270	1,274,839	2,465,109
Morrison County:							
Little Falls	1,145,268	1,640,288	1,840,590	3,480,878	1,567,227	1,675,149	3,242,376
Motley	180,404	306,567	325,046	631,613	273,611	292,445	566,056
Pierz	482,613	667,996	669,450	1,337,446	621,953	565,002	1,186,955
Randall	211,068	314,199	321,571	635,770	291,811	336,310	628,121
Royalton	195,969	287,014	328,587	615,601	274,395	305,143	579,538
Swanville	226,145	307,289	341,809	649,098	277,204	297,902	575,106
Upsala	186,952	334,499	411,822	746,321	302,306	323,599	625,905
Mower County:							
Adams	140,314	175,621	218,678	394,299	177,098	185,735	362,833
Austin	3,069,024	3,790,631	[illegible]	[illegible]	3,874,614	3,999,519	7,874,133
Elkton	114,589	159,445	209,664	369,109	149,098	154,211	303,309
Grand Meadow	176,823	252,734	319,379	572,113	[illegible]	236,481	463,360
LeRoy	175,553	225,150	255,495	480,645	[illegible]	230,041	452,105
Lyle	121,335	164,281	228,136	392,417	155,906	160,764	316,670
Rose Creek	101,943	136,262	136,617	[illegible]	130,988	142,120	273,108
Murray County:							
Chandler	48,865	91,865	110,756	202,621	72,995	81,280	154,275
Fulda	225,552	381,565	524,440	906,005	343,636	372,900	716,536
Lake Wilson	91,014	118,415	149,396	267,811	107,455	111,318	218,773
Slayton	498,257	683,408	833,626	1,517,034	610,974	639,931	1,250,905
Nicollet County:							
Nicollet	144,438	[illegible]	[illegible]	462,142	166,104	181,897	348,001
St. Peter	724,795	[illegible]	[illegible]	2,382,075	1,016,476	1,073,533	2,090,009
Nobles County:							
Adrian	241,314	353,858	410,442	764,300	329,146	344,740	673,886
Brewster	105,637	143,332	169,511	312,843	127,121	132,279	259,400
Nobles County:							
Ellsworth	101,463	160,677	185,488	346,165	144,171	149,644	293,815
Round Lake	95,577	134,363	169,066	303,429	122,204	126,522	248,726
Worthington	970,938	1,446,822	1,872,437	3,319,259	1,441,789	1,487,344	2,929,133
Norman County:							
Ada	260,915	325,251	414,484	739,735	312,521	323,947	636,468
Borup	53,058	87,628	87,628	175,256	58,774	62,976	121,750
Gary	106,885	135,041	165,779	300,820	132,571	130,548	263,119
Halstad	87,708	107,766	113,888	221,654	77,401	82,171	159,572
Hendrum	59,900	100,735	100,735	201,470	67,405	70,764	138,169
Twin Valley	175,552	263,464	320,667	584,131	248,129	254,171	502,300
Olmsted County:							
Byron	431,788	660,561	729,834	1,390,395	630,384	672,710	1,303,094
Chatfield	391,670	592,409	705,182	1,297,591	543,939	559,443	1,103,382
Dover-Eyota	314,108	412,160	462,389	874,549	395,687	411,547	807,234
Rochester	5,010,614	5,456,973	8,104,412	13,561,385	6,983,039	7,531,742	14,514,781
Stewartville	604,478	861,388	1,090,112	1,951,500	825,051	888,061	1,713,112
Otter Tail County:							
Battle Lake	208,572	311,177	352,654	663,831	296,048	313,696	609,744
Deer Creek	125,172	159,361	179,082	338,443	145,475	153,893	299,368
Fergus Falls	1,073,568	1,904,455	1,904,455	3,808,910	1,482,945	1,529,278	3,012,223
Henning	232,162	343,847	380,426	724,273	309,374	332,103	641,477
New York Mills	366,665	508,280	523,837	1,032,117	454,033	479,890	933,923
Parkers Prairie	350,858	459,102	465,831	924,933	478,720	399,267	877,987
Pelican Rapids	510,939	654,222	687,663	1,341,885	642,272	662,422	1,304,694
Perham	541,839	755,589	811,082	1,566,671	705,997	700,851	1,406,848
Underwood	151,620	304,304	327,692	631,996	275,628	292,459	568,087
Pennington County:							
Goodridge	131,862	182,012	209,152	391,164	169,827	175,280	345,107
Thief River Falls	1,188,906	1,547,712	1,980,065	3,527,777	1,559,023	1,641,422	3,200,445
Pine County:							
Askov	213,635	291,811	355,373	647,184	262,380	278,198	540,578
Finlayson	81,912	100,971	117,899	218,870	97,237	100,086	197,323
Hinckley	383,767	555,288	555,288	1,110,576	509,878	539,765	1,049,643
Pine City	622,091	904,106	1,024,973	1,929,079	842,366	929,044	1,771,410
Sandstone	298,890	399,754	450,133	849,887	366,013	387,498	753,511
Willow River	238,542	346,749	370,925	717,674	321,287	347,957	669,244
Pipestone County:							
Edgerton	130,108	171,636	171,636	343,272	135,888	147,793	283,681
Jasper	163,778	224,102	265,301	489,403	201,176	208,883	410,059
Pipestone	770,041	1,014,341	1,312,686	2,327,027	983,706	1,040,284	2,023,990
Ruthton	147,039	191,182	219,188	410,370	176,190	182,443	358,633

School district	October bill				H.F. 5		
	Present aid foundation and sales tax per capita * plus exempt property reimbursement 1970-71	Proposed Aid foundation plus ½ exempt property reimbursement 25 mill ag takeover, 1971-72	Proposed aid foundation plus 25 mill ag takeover, 1972-73	1971-72, 1972-73 Total	1971-72	1972-73	1971-72, 1972-73 Total
Polk County:							
Climax	54,667	89,534	89,534	179,068	61,174	64,975	126,149
Crookston	729,327	980,676	1,342,338	2,323,014	1,001,065	1,064,358	2,065,423
East Grand Forks	677,615	963,240	1,179,501	2,142,741	928,653	996,416	1,925,069
Erskine	102,039	137,363	167,928	305,291	130,367	134,321	264,688
Fertile	278,114	401,714	478,887	880,601	356,582	366,988	723,570
Fisher	80,104	148,813	148,813	297,626	96,138	106,557	202,695
Fosston	452,370	645,510	693,225	1,338,735	580,066	600,348	1,180,414
McIntosh	188,786	235,837	274,373	510,210	215,369	221,307	436,676
Mentor	87,786	107,300	136,617	243,917	107,895	103,284	211,179
Pope County:							
Cyrus	82,603	88,518	103,061	191,579	89,810	93,452	183,262
Glenwood	542,432	757,208	873,166	1,630,374	715,777	750,630	1,466,407
Starbuck	228,544	315,544	363,978	679,522	296,898	304,455	601,353
Villard	136,991	184,933	188,764	373,697	171,909	175,989	347,898
Ramsey County:							
Mounds View	5,185,107	6,018,294	8,597,098	14,615,392	7,177,605	7,776,813	14,954,418
North St. Paul	4,488,408	4,723,822	7,232,241	11,956,063	5,553,358	6,070,599	11,623,957
Roseville	4,384,860	4,384,860	6,265,590	10,650,450	5,730,745	5,972,016	11,702,761
St. Paul	11,890,125	16,514,338	19,620,647	36,134,985	16,617,807	17,390,455	34,008,262
White Bear Lake	4,133,118	5,335,663	7,243,257	12,578,920	5,458,091	5,894,112	11,352,203
Red Lake County:							
Oklee	201,695	245,996	296,133	542,129	272,981	278,799	551,780
Plummer	149,827	186,074	206,667	392,741	176,780	184,007	360,787
Red Lake Falls	365,197	478,190	507,795	985,985	473,674	500,610	974,284
Redwood Falls:							
Belview	68,914	111,239	130,950	242,189	93,742	97,580	191,322
Lamberton	128,303	196,769	225,971	422,740	170,835	177,612	348,447
Milroy	77,129	125,687	154,684	280,371	91,307	99,694	191,001
Morgan	127,081	200,057	200,057	400,114	139,079	150,791	289,870
Redwood Falls	502,919	704,312	886,496	1,590,808	710,028	750,496	1,460,524
Sanborn	84,447	136,685	136,685	273,370	97,265	104,877	202,142
Wabasso	185,424	322,374	368,419	690,793	229,252	255,638	484,890
Walnut Grove	135,907	205,917	212,570	418,487	156,321	163,758	320,079
Renville County:							
Bird Island	164,289	248,100	303,779	551,879	191,573	203,074	394,647
Buffalo Lake	133,764	182,798	195,704	378,502	147,310	153,622	300,932
Danube	117,760	186,751	251,768	438,519	156,007	166,411	322,418
Fairfax	107,735	196,369	196,369	392,738	145,300	155,906	301,206
Franklin	88,552	124,902	166,884	291,786	110,467	115,100	225,567
Hector	181,895	256,750	314,994	571,744	217,428	226,904	444,332
Morton	112,163	176,786	230,252	407,038	145,747	150,920	296,667
Olivia	251,516	336,599	423,381	759,980	320,041	333,551	653,592
Renville	161,600	236,362	317,048	553,410	211,664	220,228	431,892
Sacred Heart	97,070	155,131	206,928	362,059	123,928	129,219	253,229
Rice County:							
Faribault	1,137,695	1,660,065	2,477,138	4,137,203	1,709,726	1,952,987	3,662,713
Morristown	133,000	190,301	214,442	404,743	177,959	183,551	361,510
Northfield	1,059,774	1,396,746	1,902,289	3,299,035	1,452,661	1,528,020	2,980,681
Rock County:							
Hills-Beaver Creek	185,810	249,034	324,070	573,104	229,151	237,953	467,104
Luverne	577,709	777,723	925,413	1,703,136	742,782	767,688	1,510,470
Magnolia	79,745	109,385	109,385	218,770	91,201	94,634	185,835
Roseau County:							
Badger	102,255	184,186	238,156	422,342	150,856	166,093	316,949
Greenbush	264,299	405,738	407,613	813,351	361,992	387,888	749,880
Roseau	624,929	923,382	1,162,349	2,085,731	839,512	894,036	1,733,548
Warroad	345,187	462,663	523,546	986,209	424,318	449,236	873,554
St. Louis County:							
Aurora	617,288	1,274,941	1,807,787	3,082,728	1,159,443	1,286,435	2,445,878
Babbitt	778,523	1,218,139	1,555,784	2,773,923	1,063,429	1,115,925	2,179,354
Biwabik	297,093	448,365	618,458	1,066,823	432,153	465,888	898,041
Buhl	165,145	232,770	260,026	492,796	201,011	220,383	421,394
Chisholm	488,585	662,050	901,343	1,563,393	672,122	715,297	1,387,419
Ely	624,708	911,709	1,154,809	2,066,518	840,187	880,131	1,720,318
Duluth	8,207,868	11,367,965	14,337,355	25,705,320	11,212,508	11,833,361	23,045,869
Eveleth	758,879	1,133,304	1,359,948	2,493,252	1,042,708	1,104,001	2,146,709
Floodwood	195,296	291,353	351,047	642,400	279,789	281,648	561,437
Gilbert	372,214	521,090	692,232	1,213,322	474,098	515,938	990,036
Hermantown	839,643	1,279,649	1,506,933	2,786,582	1,193,376	1,294,096	2,487,472
Hibbing	2,015,776	2,944,846	3,758,543	6,703,389	2,766,015	2,932,809	5,698,824
Mountain Iron	352,490	453,565	627,115	1,080,680	439,742	461,928	901,670

School district	Present aid foundation and sales tax per capita plus exempt property reimbursement 1970-71	October bill: Proposed Aid foundation plus ½ exempt property reimbursement 25 mill ag takeover, 1971-72	October bill: Proposed aid foundation plus 25 mill ag takeover, 1972-73	October bill: 1971-72, 1972-73 Total	H.F. 5: 1971-72	H.F. 5: 1972-73	H.F. 5: 1971-72, 1972-73 Total
St. Louis County—Continued							
Proctor	1,087,933	1,633,435	2,034,121	3,667,556	1,476,247	1,607,418	3,083,655
St. Louis-U.T.	2,165,925	3,395,109	4,234,569	7,629,678	2,828,891	2,901,428	5,730,319
Tower-Soudan	182,362	228,952	329,600	558,552	256,102	264,199	520,301
Virginia	958,423	1,323,384	1,770,052	3,093,436	1,299,734	1,355,273	2,655,007
Scott County:							
Belle Plain	326,702	506,280	618,980	1,125,260	493,464	561,085	1,054,549
Jordan	364,593	575,937	765,295	1,341,232	575,109	654,860	1,229,969
New Prague	577,273	894,047	1,152,398	2,046,445	888,409	998,728	1,887,137
Prior Lake	599,518	877,762	1,320,858	2,198,620	951,171	1,068,031	2,019,202
Shakopee	604,911	784,099	1,334,022	2,118,121	1,011,199	1,193,866	2,205,065
Sherburne County:							
Becker	207,814	316,897	407,086	723,983	273,122	349,113	622,235
Big Lake	278,739	455,548	528,652	984,200	422,735	464,566	887,301
Elk River	1,070,995	1,631,442	2,168,910	3,800,352	1,604,584	1,781,519	3,386,103
Sibley County:							
Arlington	356,941	501,551	584,536	1,086,087	468,901	488,927	957,828
Gaylord	215,638	297,978	391,508	689,486	283,096	299,463	582,559
Gibbon	135,009	197,815	238,314	436,129	166,732	175,623	342,355
Henderson	144,449	226,636	282,640	509,276	208,138	228,422	436,560
Winthrop	183,823	319,188	412,587	731,775	292,344	316,431	608,775
Stearns County:							
Albany	737,563	1,021,677	1,190,223	2,211,900	983,283	1,071,956	2,055,239
Belgrade	334,737	471,992	497,886	969,878	438,114	455,228	893,342
Brooten	220,918	319,002	380,606	699,608	298,806	308,748	607,554
Cold Spring	807,811	1,210,341	1,230,198	2,440,539	1,143,678	1,214,362	2,358,040
Holdingford	484,773	730,840	785,282	1,516,122	662,522	724,131	1,386,653
Kimball	353,782	578,347	656,323	1,234,670	521,495	566,472	1,087,967
Melrose	719,159	1,056,418	1,372,866	2,429,284	1,004,755	1,235,391	2,240,146
Paynesville	479,779	655,382	768,227	1,423,609	619,264	661,372	1,280,636
Sartell	376,483	528,146	695,830	1,223,976	528,370	562,417	1,090,787
Sauk Center	640,849	968,484	1,134,801	2,103,285	902,578	975,228	1,877,806
St. Cloud	3,805,692	5,974,015	7,903,761	13,877,776	6,059,552	6,524,861	12,584,413
Steele County:							
Blooming Prairie	454,024	606,715	695,796	1,302,511	576,746	593,389	1,170,135
Ellendale	220,306	280,649	305,233	585,882	446,835	455,576	902,411
Medford	225,634	324,070	387,123	711,193	305,443	339,790	645,233
Owatonna	1,385,143	1,845,495	2,391,918	4,237,413	1,970,276	2,068,943	4,039,219
Stevens County:							
Chokio	201,617	296,239	349,376	645,615	261,146	276,444	537,590
Hancock	146,039	210,600	240,426	451,026	189,170	198,519	387,689
Morris	637,910	833,021	1,066,159	1,859,180	799,358	840,512	1,639,870
Swift County:							
Appleton	293,803	497,496	542,838	1,040,334	444,989	460,463	905,452
Benson	626,372	901,611	1,191,136	2,092,747	870,031	896,197	1,766,228
Kirkhoven	277,838	405,852	389,703	795,555	344,555	353,596	698,151
Murdock	125,853	170,535	201,215	371,750	156,206	161,019	317,225
Todd County:							
Bertha	300,245	429,926	455,645	885,571	389,022	403,757	792,779
Browerville	186,618	267,371	297,218	564,589	241,427	250,751	492,178
Clarissa	217,195	318,399	343,538	661,937	290,834	315,323	606,157
Eagle Bend	263,598	266,705	232,239	948,944	240,097	256,316	496,413
Grey Eagle	179,385	255,411	255,411	510,822	231,795	246,959	478,754
Long Prairie	526,547	757,002	819,436	1,576,438	707,221	746,654	1,453,875
Staples	731,808	1,067,565	1,280,352	2,347,917	968,065	1,050,535	2,018,600
Traverse County:							
Browns Valley	125,864	169,868	173,860	343,728	151,575	156,953	308,528
Tintah	73,938	97,186	110,230	207,416	83,432	86,985	170,417
Wheaton	306,533	427,576	537,717	965,293	394,804	413,167	807,971
Wabasha County:							
Elgin	227,022	307,707	320,741	628,448	290,835	301,610	592,445
Lake City	508,810	702,987	843,870	1,546,857	694,623	723,814	1,418,437
Mazeppa	156,289	226,732	288,690	515,422	211,231	222,680	433,911
Plainview	440,358	582,418	698,054	1,280,472	564,748	592,063	1,156,811
Wabasha	414,151	546,606	669,546	1,216,152	518,171	534,290	1,052,461
Wadena County:							
Menahga	283,003	378,567	378,567	757,134	341,669	362,353	704,022
Sebeka	368,961	585,353	589,151	1,174,504	525,814	550,766	1,076,580
Verndale	227,416	322,937	354,248	677,285	291,018	309,784	600,802
Wadena	835,814	1,105,880	1,281,992	2,387,872	1,041,326	1,127,201	2,168,527

School district	October bill				H.F. 5		
	Present aid foundation and sales tax per capita plus exempt property reimbursement 1970-71	Proposed Aid foundation plus ½ exempt property reimbursement 25 mill ag takeover, 1971-72	Proposed aid foundation plus 25 mill ag takeover, 1972-73	1971-72, 1972-73 Total	1971-72	1972-73	1971-72, 1972-73 Total
Waseca County:							
Janesville	287,192	295,728	[illegible]	657,417	278,800	299,949	578,749
New Richland	234,994	393,972	519,691	912,963	340,328	355,917	696,245
Waldorf-Pemberton	115,167	235,090	393,051	[illegible]	191,977	190,774	391,751
Waseca	678,831	939,717	1,383,168	2,275,881	1,017,153	1,045,711	2,057,864
Washington County:							
Forest Lake	1,307,867	2,535,444	3,339,433	5,874,877	2,125,098	2,376,911	5,457,930
Mahtomedi	843,319	911,719	1,357,390	2,269,109	941,595	1,063,599	2,005,154
St. Paul Park	3,416,954	5,497,148	6,026,[illegible]	11,569,705	5,046,405	5,735,258	10,781,663
Stillwater	2,693,441	2,637,049	4,079,950	6,717,799	3,306,572	3,542,515	6,949,117
Watonwan County:							
Butterfield	119,791	167,891	161,893	[illegible]	137,831	[illegible]	[illegible]
Madelia	[illegible]	408,962	371,621	[illegible]	181,178	[illegible]	[illegible]
St. James	512,237	691,106	894,544	1,585,[illegible]	[illegible]	[illegible]	[illegible]
Wilkin County:							
Breckenridge	450,957	791,220	1,043,117	1,834,337	728,918	[illegible]	1,492,088
Campbell	101,360	179,551	149,545	299,096	111,173	116,672	227,845
Rothsay	97,772	160,632	159,996	320,628	121,617	129,944	251,561
Winona County:							
Lewiston	479,914	541,018	595,765	1,137,743	538,639	554,608	[illegible]
St. Charles	480,145	561,357	715,058	[illegible]	606,594	621,513	1,228,107
Winona	1,867,[illegible]	2,364,358	3,610,[illegible]	5,974,[illegible]	[illegible]	2,878,616	[illegible]
Wright County:							
Annandale	[illegible]	[illegible]	[illegible]	1,314,106	[illegible]	[illegible]	[illegible]
Buffalo	[illegible]	1,365,436	[illegible]	[illegible]	[illegible]	1,394,957	[illegible]
Delano	377,611	629,925	[illegible]	1,317,947	622,005	710,196	[illegible]
Howard Lake	[illegible]	[illegible]	[illegible]	535,542	[illegible]	428,726	[illegible]
Maple Lake	290,758	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Monticello	[illegible]	[illegible]	[illegible]	[illegible]	778,193	795,161	1,573,354
Waverly	[illegible]	619,635	[illegible]	1,576,828	695,737	759,157	[illegible]
St. Michael	379,158	[illegible]	[illegible]	1,121,665	502,742	[illegible]	1,030,980
Yellow Medicine County:							
Canby	483,089	[illegible]	[illegible]	1,431,330	631,794	655,170	1,286,964
Clarkfield	[illegible]	[illegible]	284,525	571,622	213,773	222,630	[illegible]
Echo	72,009	116,759	[illegible]	242,907	86,369	[illegible]	176,609
Granite Falls	329,457	[illegible]	[illegible]	[illegible]	537,776	573,534	1,111,310
Wood Lake	[illegible]	104,644	[illegible]	242,615	83,372	95,023	178,395

I have some thoughts about how funds for education should be allocated to have the greatest impact upon the learning of students at all age levels. The proposed plan follows the regionalism concept being implemented by many of our local governments. Regionalism provides for small units of government to cooperate with each other in resources and manpower to supply services and personnel for a large geographical area.

The plan is as follow: 1. Funds will be allocated to grant proposals written by groups made up of representatives from the State Department of education, The State University, A State or Private College involved in teacher education, and public schools in a regional governmental unit.

This allocation procedure will result in—

(a) *cooperative planning* at all levels of educational institutions; (b) *communication* among educational institutions with ideas being shared. (c) educational institutions having an *impact upon one another's programs* because the human, physical, and economic resources can be better coordinated for problem solving and development; (d) *increased services* by specialized personnel which only major universities now employ in research functions that could be extended to service and educational functions; (e) *mobilization capacities* of educational resources and personnel to focus on problems of individual school districts and on problems of individual students.

2. The group being funded will represent a regional center for coordinating those programs receiving federal funds.

A regional coordinating unit will result in—

(a) better *consultative services* to local school districts; (b) *coordination* of educational institutions.

An example of a coordinated effort among institutions is a program called REACH. REACH is an acronym for Restructuring Education to Accommodate Children with Handicaps. The project is a cooperative effort of the University of Minnesota, Bemidji State College and seven public school districts in north, central Minnesota. The project is having far *reach*ing impact on all educational institutions. University professors in educational psychology are out in the field consulting with teacher educators from Bemidji State College, public school teachers and school administrators. An experimental model for teacher education is being developed in a coordinated effort to develop experimental classrooms in the public schools. Interns from the college will participate with public school teachers and teacher educators in the planning of programs to be established in the classrooms. When colleges and public schools plan for change at the same time such as in this project, the programs complement one another. University consultants also participate.

For $80,000 a program will be established which can be continued after two years on the regular budgets of the institutions involved. Future funding can be used for farther development and improvement. Approximately 90 interns, 15 teacher educators, 90 classroom teachers and from 300 to 400 elementary and secondary school students will be immediately involved in the project. An enormous impact at all educational levels for a small grant because of a cooperative and coordinated effort. A regional effort.

> (c) educational *accountability* through comprehensive *research and development* on a regional basis using the resources of all educational institutions.

The resources of the University of Minnesota are being used to evaluate the REACH Project just described. Specialists in educational measurement and research design from the University have the benefit of a data base for research and the State College and the public schools have the much needed expertise to evaluate programs. A regional center could expand on this useful kind of research and program development and there will be a meeting in the field of the ivory tower and the practicing institution.

> (d) *educational technology* such as two-way educational TV which cannot be afforded by individual school districts.
>
> "What characterizes this period is a change in the conception of the education enterprise and in our view the learning process."
>
> "The option to use or not to use new media in teaching is rapidly disappearing. Thirty years ago the farmer had the option to use a team of horses or a tractor. Today the farmer's option is gone. Twenty-five years ago the secretary had the option to use long-hand writing or a typewriter. Today the secretary's option is gone. Twenty years ago the carpenter had the option to use the hand saw or a power saw. Today the carpenter's option is gone. We had better accept the challenge that faces us today."—p. 49, "Revolution in Teaching" de Grazia.
>
> (e) opportunity to provide *alternative educational programs* in our present educational structures so that new and special schools need not be developed through special funding.

Some schools in a region may wish to use certain buildings for optional programs so that parents in consultation with their children and professional counselors can arrive at the kind of educational philosophies and curriculums under which they would like their young people educated. The following narrative written by Dr. G. H. Reavis, Assistant Superintendent of Schools in Cincinnati has a moral for us!

Mr. QUIE. You mentioned that we ought to change the Federal law, so that when the moneys are available for teacher training, that we require a better relationship between the professor, the teacher's college, and the internship program.

What about the State legislature, which provides much more for the State colleges? Do you think as a State senator, you will try to develop that in State legislation, so that we get a more responsive teacher training operation than has been in the past?

I know your criticism has been very valid.

Mr. MAMMENGA. Congressman, I am in a very delicate position, being the member of a staff of a teacher training institution, but I feel these things very deeply.

I have expressed them. I have aspirations to hold the comparable office that the Senator holds in the New York State Legislature, and that there should be one of the things I would be most interested in doing, is in a sense forcing the State colleges to spread out a bit more.

Mr. QUIE. Let me also then find out a little bit more about the way the State program is now. You have the formula through which the State aid amounts to an average of 65 percent made available.

Now, you crank everything in, does it come out to 65 percent, or is it a half a unit for the AFDC students, in addition to that?

Mr. MAMMENGA. We have a lot of little frill kinds of aids, and we put them altogether this time into the formula, and 65 percent is a total contribution.

Mr. QUIE. And then you put a mill levy limit on each local school district?

Mr. MAMMENGA. That is correct.

Mr. QUIE. Did you put in a limit of the assessed evaluation, or could the school increase the assessed valuation, and therefore, draw more revenue?

Mr. MAMMENGA. Congressman, there is actually a dollar limit rather than a levy limit.

Mr. QUIE. What is the dollar limit?

Mr. MAMMENGA. They can go up $87 per pupil.

Mr. QUIE. So they have a lower assessed value?

Mr. MAMMENGA. They just spread it out differently.

Mr. QUIE. And where a school district went above the limit already, the judge said as long as——

Mr. MAMMENGA. I do not recall anything about that.

Mr. QUIE. And you look for schools to try to find some means within the law to exceed the limit?

Mr. MAMMENGA. I would think that they would investigate that possibility, the Minnesota School Board Association is highly critical of the levy limit.

If they can find a way to get around, I am sure they will, but I do not look for any wave of referendums.

Mr. QUIE. What about the school districts that have built new buildings, and, therefore, are in pretty good shape for the coming years, as compared to the school districts that did not embark on their building program, and probably are up against their levy limit there, and——

Mr. MAMMENGA. The way it works, apparently in practical basis, the suburban schools are those who have the great amount of building to do, and they have a very high pupil unit factor right now, and so the schools like some in our State have very substantial increase in maintenance figures, that apparently will put them in a fairly favorable position, and then too, Congressman, for the first time this year, we have kindergarten class lower than the previous year kindergarten class, so even in those school districts, it is going to ease off a bit, but the suburbs did extremely well on the formula, and so I have not heard them complaining a great deal.

Mr. QUIE. So you do not think a school district that has not built new buildings will really have difficulty?

Mr. MAMMENGA. Several of the districts did get behind and I think those districts that you are talking of now will be pushing hardest for some levy relief.

Mr. QUIE. You talked also about the fact that the State would expand into innovative programs, that would be tried in school districts, and if it worked out well, utilized by all of the schools. Would that be something like title III, where about 85 percent of the Federal money goes to the State anyway in title III? Is this the kind of innovative program?

Mr. MAMMENGA. Yes. We are very hopeful that school districts will begin applying for this money, and show us that they have some ideas, that can be incorporated by the other district.

Mr. QUIE. The so-called lighthouse districts, that did develop this themselves, ran the program, and were better than other schools, was not just another innovative program operative for 3 years. Do you think this will be a complete substitute for this so-called lighthouse district?

Mr. MAMMENGA. I am disturbed about the failure of the lighthouse districts.

I have talked to school board members who said they did this, and now they are going to have to cut back, and if people like the programs, then they should be willing to support them on a local basis as well, so I would like to see these people accept that responsibility, and go on with some of these programs.

I do not know that we are prepared right now. We certainly did not put enough money into it to answer, to be a real opportunity to the lighthouse districts.

Mr. QUIE. The thing that bothers me is that so many schools run a program because Federal money is available, and then they do not continue it when Federal funds run out, mostly because they did not sell it to the people along the way. If you are going to run a lighthouse district with your own money, you have to educate the people as you go along.

Mr. MAMMENGA. Congressman, we had that in one of our districts, we had a program for the above average student, and it worked out of Hutchinson, Minn., and it was extremely successful.

It ran its course for 3 years, and then it came in for State support, and in one committee meeting, they sold us that program completely.

We were taken aback. It was one of the best presentations I had ever seen, and we were ready to vote the money just like that, and then somebody said, well, look, Hutchinson is in that rich farm country down there, and you have had something like 20 districts working together with this program.

Now, why can't you people get together, and if it is such a good program, fund it yourself without coming to us, and the mood changed in the committee, and we decided that as a general policy, the State would not move in and support those programs, if they could not sell them to their own school districts, so that they would not pick up the programs and run them, we would not come in and do it ourselves.

It was a sad thing, because I am just as convinced, if the same team of people who came to us to sell us the program, would go around and sell it to the local school board, they would support it.

Perhaps they are doing that now.

Mr. QUIE. I had an experience in the State Senate, seeing how this thing operated. I recall, for instance a hospital project that did not go any place, until finally the people in the hospital went around and talked to the people—explained it to them.

When they finally did that, the referendum went through without difficulty.

That is part of the education process. I share the view you expressed. in the reservation about *Serrano*. If this will prevent local people from having a better education, then everybody else will be denied, and that will be too bad in the long run. I know that some school districts are very poor, so poor they cannot have an adequate education if left to their own devices, but I think Minnesota has developed some exemplary educational examples when people are willing to spend some money.

What strikes me is that up in that northern part of the State there were individuals who were illiterate in the English language whose daughters went out and secured a degree. That was done in one generation, and I think the educational system has to have some credit for that.

I wonder if we could do that if we do the financing from the Federal level.

Mr. **Mammenga.** I mentioned my high school graduated 12, and I spoke in arbitrary fashion of the unit, and the local paper came out and indicated the honor graduate for that class was recommended for West Point, and scored something like the 99th percentile, so some school districts can do some miraculous things sometimes, and we have to look very carefully at the kind of units we take care of, but I do believe that the above-average student can be handled well, sometimes in small districts.

I think sometimes the average students are not taken care of in the small districts.

Mr. **Laverne.** May I comment on the regrets expressed with reference to the *Serrano* case.

Whether we regret it or not, it may become the law of the land. I would suggest that the *Serrano* case is based on the 14th amendment, which is a restriction on what States can do, which really compels States to assure that no localities give unequal opportunities, because of their local add-ons.

It is based entirely on that concept. While you and I could argue that it might be a good idea to give an incentive for localities to spend more and more and more, I do not think it will meet the test of that and I suggest that the Minnesota local add-on is not really an add-on, because all the local districts are going to get up to their limit in a hurry, and that will be it, unless the legislature is prevailed upon to permit an additional local add-on.

If you will notice the characteristic of this add-on, it is a fixed amount per pupil.

If they spend less than their fixed amount, because that is a ceiling, they might be in violation of the *Serrano* case. But you can be sure that because of local needs, they will spend the maximum pretty shortly, and then start putting pressure on the legislature to increase the maximum.

I am not one who believes that necessarily total equality in expenditure provides equal education.

We had some tests in New York in schools of typical school districts at different funding levels, and found the ones on the lowest expenditure did the best. But so many other factors are involved that it is impossible to truly test.

There are some school districts that take credit for great achievement, when the fact of the matter is that achievement is related to the socioeconomic background of the youngsters that go to their schools. Children with a high socioeconomic background will learn despite the teachers.

One of the virtues of taking away from the local districts the responsibility of worrying about their financing is that they could then concentrate on the subject they are really concerned about, which is education.

Mr. MAZZOLI. Senator Laverne, you mentioned that whatever bill this committee provides, it ought to have some provision in it to take care of the disadvantaged children and the extra expenditures that might go to supportive services and broken families, what have you, and yet you mentioned here, that you do not think any add-on is an appropriate feature, because of the difference from the *Serrano* theory.

May I just pose this question, is not the decision, or the need to provide extra for the disadvantaged children, the hard learner, is that in effect not an add-on?

Mr. LAVERNE. The objective is to guarantee equal opportunity for the individual student.

If the students are all equal, then you spend the same amount of money.

If they are unequal, either because they are handicapped—because they are blind, or have mental problems or some other disability—extra expenditures to meet these social problems certainly are legitimate. I think that for the disadvantaged child. The standard that is being used for an add-on in Minnesota is the proper way to do it. If there is anything the studies of children indicate, it is that there is a direct correlation between the socioeconomic background of the parents and the ability of children to learn. That kind of add-on would not violate the law.

On spending more money, if local districts want to spend all the money they can give to their children, I think there will be some districts in violation of the law.

Mr. MAZZOLI. This may very well be, but it seems to me, there may be parents in the State of Minnesota, or the State of Kentucky, who have a feeling in their heart, that they think their children need more.

Now, these children may come from upper middle class families, they may have excellent skills, they have all of the training they need, and yet those parents have made a subjective analysis that these children need extra care, or a little additional books, because they have maybe superior talent.

I can clearly say we have in Louisville a very severe problem. I would call it identical to what you address yourself, the need for the poor, the disadvantaged students, they are identifiable, and I do not think anybody disregards the need for compensatory help for those children. But it seems to me perhaps a little arrogant, and possibly a very subjective analysis, to say those children who come from what might to be nondisadvantaged circumstances are not entitled to extra books, if their people are willing to pay for the extra books.

So it is a little hard for me to grasp, where we are clearly making, if not add-ons, at least we are saying those children, say from core cities, do need help, and hardly anybody argues that, at the same time, we are saying, kids from other situations, whose parents are willing to sacrifice, cannot get anymore.

Mr. LAVERNE. There is no question that it is rather arrogant to tell somebody he cannot spend any more than you tell him to spend for anything. But the fact of the matter is, in terms of the number of tax dollars that are going to be involved in the education of children there will be a constitutional limit.

Mr. MAZZOLI. Let me ask you, Senator Laverne, do you think it would be constitutionally improper to give an additional amount through ESEA for disadvantaged children?

Mr. LAVERNE. No.

Mr. MAZZOLI. Why not?

Mr. LAVERNE. Because of the fact you are trying to guarantee equal opportunity, and that is the test.

If you are spending money to make an unequal situation equal, or attempt to make it equal, that is not in violation of the *Serrano* case.

Mr. MAZZOLI. That makes good sociology, and very good practical politics, but does that make it law?

Mr. LAVERNE. I presume if that is the constitutional law, that is what we will be stuck with, unless we change the Constitution.

Mr. PEYSER. I am not clear on the following point.

Suppose we have equalization now of the expenditures, and the decision of the State is that languages should be taught in high schools for a high quality of education.

Now, suppose a district believes that Russian and Chinese should be taught in a school district, and, as I understand what you are saying, this would be impossible to do?

Mr. LAVERNE. It would be possible.

Mr. PEYSER. How would it be possible?

Mr. LAVERNE. First of all, I think we are going in the opposite direction in terms of mandates of specifics.

The Fleischmann Commission, and I concur, has recommended the abolition of what we know as the Regents examination system, because it stereotyped curricula within narrow parameters. A teacher really is restricted in the subject matter content.

Language requirements, specific expenditure of money for specific kinds of courses, will be entirely local choices, so that a school district, let's assume the proposed system is adopted, would have a certain number of dollars to spend. Now, they can make a lot of choices within that expenditure level. They may decide they can teach four languages. Well, they could not teach four languages if they had a small school district with 12 kids, but if they had a comprehensive school district of say 5,000, then they could have various language choices.

They could have other choices in the humanities, and remember this, the school district itself can decide on its classroom size, its ratio.

They may decide, they will want a ratio of 1 to 20. Another school district may decide on a ratio of 1 to 25.

The district which chooses the 1 to 25 ratio would have more money to spend on a greater variety of courses.

They would need fewer numbers of teachers, and their money could be spent in anyway they would like. It would not be prescribed.

Mr. Peyser. When you do this, you are still getting into the area of regionalization of all schools, and taking away the flexibility of local decisions. That is if a school is within a region and decides that they wanted one professional to every 20 children, because this would affect the rest of the region as well, the entire region would have to reach a conclusion on class ratio.

Mr. Laverne. These kinds of decisions should be made on a school building by school building basis.

Mr. Peyser. The money is what I am talking about.

It seems it has a direct relationship to the money.

Mr. Laverne. Absolutely no question, but some schools may decide to have one paraprofessional with a teacher, and 30 children in the classroom. This may be just as good educationally as having one professional for every 20 children.

Mr. Peyser. I see what you are doing. I agree with it.

Mr. Laverne. There is the educational establishment and educators are able to meet this problem. I have not met an educator yet who cannot accommodate well.

If they took the energies they spend on noneducational efforts of raising money, running transportation systems, running a food vending system, all of which could be farmed outside of the educational establishment, and applied these efforts to educational matters, they would be able to tailor their educational programs more intelligently.

Programs could vary from area to area, depending on the type of students.

Innovation will have to be the order of the day, and, believe me, with necessity, innovation will then become a reality.

What has happened in our whole pattern of education is that we have been teaching a stereotyped education at a more expensive cost. We really have not done very much to improve it.

I think this will force every school district to compete in doing a better job with limited resource.

Mr. Ford. Senator, I do not know if I woud be of help or not, but yesterday we were privileged to have a panel of lawyers that participated, or are participating in the major case following *Serrano* across the country.

One of them was the principal plaintiff's attorney, who made some categorical statements about the things that *Serrano* could not do.

One of the things he said, and I read from his statement, "the decision does not require uniformity of spending."

Governments discriminate all the time in using tax dollars, and there is nothing illegal about it, but it is usually done on an irrational basis.

Mr. Laverne. That is absolutely true.

Mr. Ford. What the court is saying, you do not have to give, to divide the number of children by the number of dollars, or that you even have to decide to divide the service, to give all of the handicapped children the same break.

What they said was plain and straight out, that the courts have recognized the legitimacy of discrimination between children, if it is done on a rational basis, for the purpose of improving education.

Mr. Laverne. I would concur with that statement completely.

Then the question is, and this is what we are really addressing ourselves to, can they spend more if they want to on a local basis, not based on any rational basis.

I say no. That is the local add-on I am talking about.

There is no question in my mind that, as a policy throughout the State, there can be very substantial differences in expenditures, based on a rational basis. If you want you can call it discrimination, but it is really a matter of identifying problems which need greater attention than others.

What we are talking about, is how we tell a wealthy school district that now is spending at a high level—some school districts spend up to $2,500 per pupil, whereas our State average is only about $1,100 to $1,200—that they cannot spend that much, without any rational basis, even if they would like.

Mr. Ford. The point is, the lawyers yesterday, they do not agree with you, Senator.

They used Beverly Hills as an example, and they said if Beverly Hills is willing to raise its tax rate to an overall State average tax rate of x mills, whatever it might be, establish a State average, Beverly Hills is now able to spend twice as much money as other school districts with a lower rate of taxes if they will pay into their common pot, at the same tax rate as the rest of the school districts in the State, from that point on, they could raise all of the taxes they want, and spend them in Beverly Hills to goldplate the faucets in the bathroom if they want to, as long as they come up with their share of total pot to provide equality of basic education of the tax program in this case.

Mr. Laverne. If they are saying that, they can tax themselves to spend money that is not rationally justified in terms of an add on, I say it is inconsistent with the decision. It is also inconsistent with my understanding of the case.

Mr. Ford. They can only spend it beyond the point of Beverly Hills contribution, or any other fairly well off school district, contribution is equal to that that is established as a base across the State, from that point on, they have made their contribution, and they can be as selfish as they want.

Mr. Laverne. I do not read the case that way. I think it is inconsistent. What they are saying is you do not have to spend an equal amount; you could spend an unequal amount, if the decision is made on a rational basis.

Pragmatically, that is the thorniest problem the Fleischmann Commission has to face.

Mr. Ford. Your position in New York, I think, what we would like to get among other things, I think everyone we have talked to indicates in order to accommodate the *Serrano* case and the other cases, there will have to be some new source of substantial financial assistance.

You just cannot take it away from people, as you indicated, no one will sit still.

Mr. Laverne. There will be an averaging up on the expenditures.

Mr. Ford. It has to be on the basis of some increase. The bill before this committee contemplates a substantial Federal input.

Now, one basic concern is a question of assuming, for example, a level of some place between $12 and $16 billion, the figures that the administration people and others are talking about, members of this committee, one very basic decision that will have to be made, is how that is delivered to the State, and do you have any ideas on how you as a State legislator in what way this delivery system could work?

Mr. Laverne. I would say, first of all, the amount should be comparable to the amounts contained in the two bills that are proposing to increase this money, up to approximately 30 percent of the total cost.

That does not mean that every State would get the same amount, but on a per-pupil basis, they would get essentially the same amount.

I think it also should be related to local effort, so it would encourage the localities to meet their responsibilities for local support.

Now, on whether there should be any strings attached to this, general strings are certainly desirable, to achieve some objectives which practically, on a strictly local basis, could not be achieved. This would be done, for example, by saying to a local school district, "We will not support an inefficient arangement of your schools, and you must, therefore, meet a standard of consolidation." This might be the Fleischmann Commission's optimum figure of 5,000. In some cases, this would obviously be geographically impossible. But there might be an optimum size school district that would be the basis for receiving funds. Some conditions of that sort would be reasonable. But I do think the funds should go through the State and be apportioned by the State through a statewide formula which is in keeping with the equal treatment of all individual students as required by the *Serrano* case.

Other than that, there should be no real other strings put on it.

Just to point out that there is no really substantial difference between Minnesota's approach and ours, what Minnesota is saying is, we are going to give you 65 percent of the cost, you can raise something locally, but we are going to limit that.

Assuming all districts reach the limit, what they have done is the same thing we say in proposing that the State take over the real estate tax for the support of education. We are not going to collect it statewide. We are not going to set up a new bureaucracy. We are just going to set the rate, and have a definition of true assessment. This is in effect doing exactly what we would be doing if we took it over, and collected it, and then told them how to spend it.

We are going to tell them that you are going to use this means of determining true full value, and then you are going to apply this rate.

Each local school district will collect its own amount of money, which is an unequal amount, and then we are going to make up on a dollar basis the difference between the total they would be entitled to and the amount they collect. Essentially there is very little difference in the mechanism, except that Minnesota has the choice of a local add on by some basis. I suggest they are meeting this problem pragmatically, but they are not really doing anything very different from what we are talking about.

Mr. Ford. As a practical matter, their legislation provided for real maintenance of effort, if you would distribute the money, as I gather, you are suggesting the money be distributed in a same manner as other resources?

Mr. Laverne. In accordance with an equalization formula, yes.

Mr. Ford. How would we be assured that the various States would maintain their effort, and not reduce their effort, thereby reducing the effect of the Federal add-on?

Mr. Laverne. First of all, I do not think the program has in its purvue the maintenance of total effort.

The program has in its purvue the phaseout of a portion of the real estate tax, which will mean that new money will be needed to phaseout that real estate tax. All of the educational groups have agreed that this tax, as the support of education, is not desirable, and is overburdened in the State of New York, certainly in most States. In Minnesota, they reduced their real estate tax, and they came in with more general taxation from the statewide level.

I think that the legislation, to make it politically palatable even for ourselves, should provide a consideration of the reduction of the real estate tax support of education.

The Federal Government should apply a portion of its aid for real estate phaseout. The State should apply some new revenues to the same purpose.

That is a ticklish kind of effort, but it can be done.

I think both objectives, maintenance and increase of statewide effort, particularly, combined State-local effort, plus a reduction of the real estate tax effort is what is required.

Mr. Quie. What about the difference between States? So far all of these decisions have been with regard to expenditures within the State.

Do you see that this will be finally settled, that there will be equality of educational opportunity between States?

Mr. Laverne. There is no similar requirement on a Federal level.

The 14th amendment is directed directly toward what States can do, and what States cannot do, and they are using the equal opportunity clause in that section.

Now, it could be, that they could find an equal opportunity clause that would be binding upon the Federal Government. That rule could be just as easily promulgated, but it has not been developed as a doctrine yet.

It would have to be developed by implicit language. But if that happened, you could see what could happen not only to education, but to welfare and a substantial number of programs that are unequally treated. I will not rule out any possibility in view of what the Supreme Court has been doing of late. They have been able to substantiate some decisions which I, as a lawyer, would consider impossible. I think I could assume possibly that equal opportunity could become a responsibility of the Federal Government.

While you are achieving equality, you cannot guarantee it along the lines of the *Serrano* case, without some very substantial differences in approach, so I do not envision that same rule being applicable to the Federal Government. But I do see, because the 14th amendment interpretation of equal opportunity is definitely applicable to the States, that you cannot permit within a State unequal expenditures, unless they are rationally justified.

Mr. Quie. Then you should keep on getting the lion's share in New York of the Title I Elementary and Secondary Education Act.

Mr. Laverne. We will be very glad to give the problems to you, so you can get the lion's share.

Mr. Ford. Don't forget in title I and other programs, New York gets more money than Mississippi, because of the option we give Mississippi of taking one-half of their State average per pupil expenditure, or one-half of the national, whichever is greater, than all of those States below the midline, are brought up by New York and California.

Mr. Laverne. I am not interested in discriminating against anybody.

My attitude on what New York should get is that we should get what we are getting and more, and every other State should get the same and more.

Mr. Quie. The last question I have, when you mentioned that equality expenditure per child, it seem to me the *Serrano* case has a lot of basics, and I do not see how you will get away without an add-on.

Mr. Laverne. I think rational add-ons will take place, but they have to be rational.

They are not going to be based on a desire to teach ballet, or fencing, or some obscure subject matter that is beyond the present capacity for uniformity.

It has to be based on a rational program to equalize the opportunity of the individual student.

You have to look at the individual problems, and then program accordingly.

Mr. Quie. If we then have the expenditure of moneys on the basics, so they can pay more for the teachers, and then go to provide the ballet, fencing; Russian and Chinese, and so on.

Mr. Laverne. That is why I think an add-on could be self-defeating.

I think one of the problems you have to face, if you follow the recommendations, not only of the Fleischmann Commission, but of National Educational Finance project—which is a project you financed, and it is an excellent one—and all of the other studies made in this area, have urged without hesitation, that the State should take over the total responsibility for financing, while giving localities more and more control over their programing. The *Serrano* case adds the ingredient that there has to be equal expenditure except for rational differences.

These programs must be implemented in my judgment, and that is what this is all about. Unless you approach it from this point of view, you are just not going to have any kind of reform.

Federal allocations should also be based on equitable formula for redistribution of the money, so that there will not be any abuses.

Mr. Peyser. This has been a hectic morning for you gentlemen, but there are a couple of things I would still like to go into. We recognize that there are real problems and I am not sure how they will be resolved at this time, but Senator Laverne, I would like to ask your opinion on the question of the present general revenue sharing bill that is in the Ways and Means Committee; which is the Mills bill.

Now, within the Mills bill, there are several options as to what State and local governments can use their money for.

Specifically excluded from the bill is education. I wonder what your thoughts on this are at this time?

Mr. LAVERNE. I certainly would object to this bill passing by itself.

Now, the bill is absolutely a good bill, and it is based on many of the standards that I think are important for tax sharing. But I think if there is not going to be a separate educational revenue sharing program, which is what we are talking about today, if they do not go hand in hand, I think it would be a great failure in a program to exclude its use for education, because this is probably our biggest single financial load in the State of New York. I daresay, in my State, to preclude the use of the money for this, is really trying to defeat the purpose of trying to keep local and State governments viable.

Mr. PEYSER. I feel much the same on that particular bill, because regardless of what is produced out of this committee, if we come up with sufficient aid, then obviously the option would not be exercised by the localities to use revenue sharing funds for education. The localities could use funds for many other needs that are available.

Now, one other question. I would like to get a little clearer point of view on the regionalization approach. Is this approach which is within the Fleischmann Report one which affects finance as well as the organization of the schools?

I wonder if you can briefly comment on whether the report goes into that?

Mr. LAVERNE. Very briefly, the chapter on school governance, which would be involved in this subject, is not printed yet. But they are talking along the lines of not changing the structure basically of the local school districts. They would stay essentially the way they are, with some consolidation to make small districts more viable.

The small ones would be consolidated to try to reach an optimum of 5,000 students, and the big ones reduced to 5,000, which I think is a concept a lot of people have ignored. This is taking place in the city of New York, and I think will continue to take place and should.

The second point is, we have a system which grew out of the Boards of Cooperative Educational Services. This is a regional system for specialized education. They are suggesting a more formalized arrangement here, in order to be able to give more regional services, not only for special problems, handicapped, mentally retarded, and vocational programs, but also programs for gifted children, and for other children who want highly specialized eduaction. We are urging those programs on that regional level.

Hand in hand with a State takeover of school financing comes the question of collective bargaining. After all, the largest single item in any school budget is salaries. The Fleischmann Commission recognizes that there has to be statewide bargaining on basic salary levels, with regional differences having to be recognized. These salaries are now at different levels, which eventually should be equalized within categories, but also with recognition of some regional differences in living costs.

This follows full State funding as day follows night. I think this is a great reform, because one of the great problems in our schools right now is the "whipsaw" that local school districts are getting from a highly organized and highly expert teachers association, which is statewide in operation. The teachers are doing well, without having to strike. Statewide bargaining has to be recognized.

Mr. Peyser. Thank you, Mr. Chairman.

Mr. Ford. The revenue sharing concept, of course, was originally produced by the administration; it is an administration bill, but the Mills bill also excludes school districts except in States like yours, because it does not consider the physical independent school district for the purpose of distribution.

In the majority of the States, the school systems are physically independent, and, therefore, the thing is that the only funds in the $5 billion program that might have found their way toward schools would have been taken out of that portion given to the States. Some States have outright prohibition in local units sharing the money.

The plain facts of life are, with the pressure on local units of government, it really is unfair to ask them to share that money; unless it is really earmarked, he will have trouble with all of his people. In fact, it is that nobody who has been advocating the revenue sharing approach, the general revenue sharing, has given consideration to the schools being included.

We have not been able to detect from school people around the country a great deal of enthusiasm for this approach.

Mr. Peyser. We heard testimony in the committee about a week ago, from the national school boards, saying they would not support the Mills bill, unless the education was in there—I just mentioned this because this was the testimony we have.

Mr. Ford. We were in contact with them, and they did not support the other approach for the same reason, they got the immediate reaction, when the first printout went out from the Department of Commerce, on where the money would be distributed, and people across the country discovered that the school districts had been left out, in my State of Michigan, and I am sure in Minnesota, you must have gotten a reaction to that, because you have a similar structure.

Mr. Laverne. In leaving out school districts, I do not know if it means the revenue received cannot be shared with school districts.

My understanding is that one of the bills, in reference to school districts, merely says they shall not be used in computing maintenance effort, but that once the amount was computed, and delivered to the State, they could use it for whatever purpose they wanted, including education. But I am not going to quarrel on that, but I am more interested in general principles.

Mr. Ford. The Nixon bill not only excludes them as recipients, but it also excludes consideration of the school tax. In your State, the school tax is merged with other taxes.

Mr. Laverne. That is only in the five fiscally dependent school districts; that is, the five large cities.

Mr. Ford. That is representative of the population of your State; what is left?

Mr. Laverne. About 12 million.

Mr. Ford. And that is where you get a real problem, you see, because in New York, you would be considering it as a factor in determining local effort, but in rural New York, or any place in the independent States, it would not be considered.

Mr. Laverne. The city of New York, Buffalo, Rochester, Syracuse, and Yonkers are the only five cities that are fiscally independent, and do not have an easily definable school tax.

In these areas you have a problem, but if there is a total State takeover of the responsibility of financing, of course, that problem disappears.

Mr. Ford. I would like to ask if either of you gentlemen as State senators have had an opportunity to do any updating on comparison of what the relative level of support, State versus local, what is the trend, and where do we stand across the country at the present time?

Mr. Mammenga. We felt we were ahead of *Serrano*. Our support was hovering around 50 percent, and it dropped to 43 percent, but we have jumped to 65, and it is our understanding, we are one of the leading States in State participation.

Mr. Laverne. Our State participation is roughly 50 percent.

Mr. Mazzoli. Is that elementary and secondary?

Mr. Laverne. Elementary and secondary.

Mr. Ford. Then it is a fair assumption, we still have the majority of the States contributing less than half.

Mr. Laverne. I have no way of knowing that.

The Johns Commission, which I again commend to your staff, it is a report done for the U.S. Office of Education, does a careful analysis of each of the 50 States.

There is a great deal of excellent data in that report.

Mr. Bell. I have no questions, Mr. Chairman.

I might indicate that I think in California, it breaks down about the Federal 7 percent of the State, 40 percent by the State, and the local 53 percent, something like that, which shows you it is close.

Mr. Mazzoli. Are there any other questions from the members of the committee?

If not, Senators, both of you, we appreciate your forthright answers very much, and your knowledge that you bring us with this very complex subject.

We thank you very much.

Mr. Laverne. Mr. Chairman, as I mentioned earlier I am serving as chairman of the Special Committee on School Finance of the National Legislative Committee, and I would like to submit to this committee the recommendations of our special committee when they are released in August.

Mr. Mazzoli. Without objection that document shall be inserted in the record at this point.

(The material referred to follows:)

REPORT OF THE NATIONAL LEGISLATIVE CONFERENCE SPECIAL COMMITTEE ON SCHOOL FINANCE

Foreword by Senator Thomas Laverne, New York, Chairman of the Special Committee

An urgent challenge faces state legislators throughout the nation: the need to reform the way we finance our schools. School finance, once the province of finance technicians and "school men," has now become a critical matter of general public concern.

Sharply mounting costs in education have revealed both the inadequacy and inequity of the present school finance system, with its heavy reliance on the local real property tax. The inadequacy appears both in the financial troubles of the schools and in the incentive provided by the real property tax to play the game of "fiscal zoning." The inequities, which have existed for years, have been highlighted by a series of major court cases—beginning with the *Serrano case* in California.

It is time for a new policy in school finance. Data collected by study commissions at both the national and state levels have pointed up the problems of the present system. The law developing in the courts, requiring changes in state school finance systems, is increasing the urgency of the need to change the old policy. The growing pressure for reform will overcome the obstacles which have prevented reform in the past.

Because of the critical importance of the school finance issue, Representative Bill Clayton of Texas, Chairman of the National Legislative Conference's Intergovernmental Relations Committee, appointed a 15-member Special Committee on School Finance, with its membership drawn from throughout the country. This committee was charged to examine the requirements developing in court decisions, to explore the options available to state legislators and to recommend policy position at the annual meeting of the National Legislative Conference.

The committee saw its function not as another research group but rather as an action-oriented group. It set out to take advantage of the research of others in carrying out its responsibility of identifying what steps state legislators must take in meeting their challenge. With excellent support from the NLC staff, the committee discussed reports on major research efforts and on proposed solutions and agreed on a set of basic principles.

In its study; the committee reached agreement on a number of basic issues. Chief among these were:

That states could assume responsibility for seeing that elementary and secondary schools are funded properly, and that the "equal opportunity" responsibility enunciated in *Serrano* be accepted, regardless of the eventual outcome in the courts, because the *Serrano* principle is right;

That states put their taxing system in order, by reforming the administration of their real property tax systems;

That states review the governance of education, the relationships between state education departments and local districts to create effective systems for both accountability and measurement of educational need and effective methods for administering funds, both state and federal.

That the federal government adopt a program of school support which will enable the states to do what they must and which will create a reliable, permanent and predictable federal role in a federal-state partnership.

THE COMMITTEE REPORT

The National Legislative Conference's special committee on school finance affirms the principle that all states have an obligation to provide an equal educational opportunity and quality education to all children attending public school within their jurisdiction. We are in agreement with the principle established in *Serrano v. Priest* that the quality of a student's public elementary and secondary education should not be dependent on the affluence of his parents or school district. Regardless of future court actions, we believe that the principle established by *Serrano*, so far as public education is concerned, is essentially reasonable and equitable and ought to serve as a policy objective for every state.

We recognize that varying constitutional dictates and differing tax preferences within the separate states make it impossible to suggest any uniform school finance system that would meet the needs of all states. Each state will have to develop one which best responds to its individual circumstances. Whatever general guidelines are agreed upon by the states, however, must be fair and equitable to both the taxpayer and the public school student, and must, by definition include:

(1) Equalization of property taxes, and
(2) Control of local expenditures.

In order to accomplish these objectives, the National Legislative Conference makes the following recommendations:

I.—Money alone will not cure all the ills of our public education system, but no improvements can be made until the manner in which educational funds are raised and distributed is altered.

The states, in line with their clear constitutional jurisdiction over education, should assume full responsibility for raising and distributing the revenue for public, elementary and secondary education.

II.—Evidence clearly shows that the manner by which local property taxes are levied for financing public education favors wealthy localities with a large non-residential tax base and penalizes those jurisdictions with a small non-resident base.

The states, in fulfilling their responsibility in the area of educational finance, should move toward stabilization of and, where possible, a reduction in their reliance on the local property tax as a revenue source for public education.

States which continue to use the property tax as a source of educational revenue should initiate a review and, where necessary, a reformation of their property tax administration. Specifically, the states are urged to adopt a uniform system of assessment to assure an equalized property tax burden.

Furthermore, the method of taxation used to supplement or supplant the property tax base should have a growth factor comparable to the increase of educational costs.

III.—Local, non-educational public services are financed largely from the property tax, and although the central cities tend to have a relatively large property tax base, the total burden placed upon their tax base usually is heavier than it is in areas where the demand for such public services as sewage maintenance, street lighting, fire and police protection is low.

In the attempt to equalize the costs of maintaining schools, states are urged to recognize those non-educational expenses, for example, municipal overburden, which affect local tax burdens.

IV.—An equal educational opportunity implies an equalization of educational resources among school districts. In order to equalize resources among districts, two alternatives are available: (1) reduce education funds from some districts to raise the resource level for others, or (2) provide substantially increased funds to raise the poorer districts' resources up to a level enjoyed by the more affluent districts. The latter is obviously preferable.

No school district should be compelled to reduce its level of expenditure while a state moves toward assuming its full role in financing and distributing educational funds.

The equalization level is a matter to be determined by each state. However, it is recommended that the 65th percentile level of per-pupil expenditures be the minimum standard guaranteed by each state.

V.—Equality does not mean identical treatment. The crucial value to be fostered by a system of public education is the opportunity to succeed, not the uniformity of success. While all are equal under the law, nature and other circumstances yield advantages to some, while handicapping others. Hence, as the President's Commission suggested: "To offer children only equal education, disregarding differences in their circumstances is merely to maintain or perhaps even to magnify the relative effects of advantage and handicap. Equal treatment of unequals does not produce equality."

A concept of equal educational opportunity should reflect a sensitivity to the differences in costs and variations in interests and needs of those to be educated. Attempts at relieving disparities by attending to particular educational needs and variations in costs will prove fruitless, however, unless those needs and costs can be clearly identified and fully quantified.

We support the recommendation of the President's Commission on School Finance which calls upon the states to develop both a Cost-of-Education Index and an Educational Need Index.

VI.—Although it has been accepted that the responsibility for education is reserved for the states, no level of government—federal, state or local—can escape involvement in the educational process. The acceleration of changes in American society, the vast mobility of its people, and the extent to which gross disparities in education can reflect adversely on the quality of an individual's life have combined to make education a matter of concern beyond the boundaries of the states. For the states to play a full role in the funding and distribution responsibilities for elementary and secondary education, substantial tax increases will be necessary. Many surveys have concluded that the average state would be required to increase its revenue collections by more than thirty percent if it wished to assume ninety percent of the costs of public elementary and secondary education. And yet, the federal tax structure severely impedes the capacity of the states to develop revenues at a rate sufficient to meet increasing educational costs.

The National Legislative Conference recommends that the federal government substantially increase its level of financial assistance (presently at seven percent) for public elementary and secondary education. Increased federal funding should serve the purpose of assisting the states in greater equalization of resources. Federal assistance should take the form of grants for the general purpose of equalization but should remain otherwise unrestricted.

With respect to P.L. 874 funds, if they are not considered in a school district's ability to pay, any attempt by the state to provide equalization may be distorted. Accordingly, we urge Congress to give consideration to allowing those funds to count as local school district contributions.

VII.—Federal assistance is necessary to maintain certain operating programs in elementary and secondary education. However, even with federal assistance, many worthwhile educational programs are delayed or even eliminated because of the uncertainty surrounding the amount and timing of federal appropriations. Adequate foreknowledge of the amount of federal assistance is imperative if states are to structure properly their own appropriations and tax policy. Many educators feel they would rather not have the funds than not be able to depend on their timely authorization.

In full endorsement of the recommendation of the President's Commission on School Finance, we urge the enactment of federal legislation that would guarantee to state and local school systems, in the event of delays in federal outlays, 80 percent of the funds provided in the previous year.

We strongly urge the Congress to restructure its appropriation process so that school districts know well in advance of a school year the exact amount of their federal aid.

Most educators would prefer that federal funds be available in general block allocations rather than in specific categorical grants. The Committee supports this preference but stresses that as a prerequisite to the creation of such a program, the states must instill confidence in the federal government in their ability to handle effectively such allocations and insure, through a monitoring system built into the plan, that such funds are actually being spent as state policy directs.

VIII.—If the states are to assume a more active role in public education, especially in the realm of funding, and if they are to expect increased federal assistance, they have a responsibility to improve their governance of education.

States should take immediate action toward strengthening their educational administrations in order to insure the efficient flow of both federal and state revenue and to guarantee that funds, be they federal or state, are applied for the purposes intended.

IX.—The argument is made that a greater assumption of school financing responsibilities by the state will undermine, or perhaps even destroy, the tradition of local control of education. We believe that local control is not dependent on local tax raising ability. Local school districts are the creation of and responsibility of the state. Their authority to raise funds for education comes as a result of delegation by the state of its own taxing authority.

There is a distinction between local fiscal control and local control over policy. Local fiscal control is no longer a possibility if financial discrimination is to be terminated in public education. Insistence upon financial control over education by the state in order to eliminate discrimination to taxpayers and students in no way has to interfere with continued administrative and policy control of the schools by the local districts. On the contrary, the new standard of school finance encouraged by *Serrano* suggests that for the first time poor school districts will enjoy significant local control over educational policy, which the lack of resources has previously made impossible.

Evidence fails to demonstrate any correlation between an increase in the state assumption of educational costs and loss of local decision-making authority. If anything, the evidence suggests that local decision-making power to shape the content of local educational programs is enhanced once local boards are freed of the burden of searching for essential financial resources.

Regardless of how the states decide to finance their system of public education, they can and should leave policy decisions and administrative control in the hands of local districts. It is the state's obligation to insure that a basic educational package is delivered to all children on an equalized basis; it should be the local district's prerogative to determine how that package will be delivered.

X.—At least 75 percent of current operating expenditures in education go into teachers' salaries and salaries of other employees. Because of the fiscal magnitude of this portion of educational costs, increased state responsibility in this area will be necessary.

The National Legislative Conference recommends that as an essential corollary to state assumption of the fiscal responsibility for public education, the state should play a larger role in the determination of teacher salary schedules.

XI.—Some of the fiscal reforms in public education will be nullified if the increased funds flowing to school districts are not used efficiently.

Each state should review the governance of education, the relationship of state departments and local districts, the present and potential effectiveness and accountability of the department of education as a conduit of funds. The creation of a state organization capable of administering federal funds and of supporting local districts may be required.

XII.—The issue of school finance reform is only in the initial stages of debate. It is certain that reform will not come overnight—and may not come at all without the ongoing efforts of concerned organizations and interest groups to educate the public and elected officials about the crisis before us.

We wish to express our agreement with the general policy statement on Educational Finance Reform adopted by the National Governors' Conference. In particular, we endorse its two major recommendations calling for immediate action from the states toward equalizing educational opportunities and urging assumption by the federal government of far greater responsibility for the financing of education.

XIII.—The next session of Congress promises to be a critical one for the future of public education in the United States. All of the major funding bills for elementary and secondary education will be up for review. The National Legislative Conference looks forward to working together with other concerned organizations, such as the Governors' Conference and the Education Commission of the States to press Congress for the financial assistance which will help states meet their responsibilities in public education.

The Special Committee on School Finance recognized that its task is not completed by submission of this report. The Committee should continue to function in order to encourage the implementation of those recommendations agreed upon by the NLC and to attend to the ongoing developments in the field of school finance reform. It should also expand its lobbying efforts with Congress and state legislative leaders and increase its public relations efforts toward that end.

The National Legislative Conference has offered the preceding recommendations on school finance, aware that reform of the manner in which educational revenues are levied and spent is a necessary precondition for the realization of the societal goals we have established. While there is much to commend about our education system, much work still remains to be done before the promise of quality education is fulfilled. A tremendous challenge is presently before us, for there is no more important business in an open, democratic society than the education of our young.

This handbook is offered to provide guidance to state legislators in developing a reasonable response to this challenge. It presents in concise form the basic information needed to cope with the school finance problem. It analyzes the elements of the problem and describes four alternative approaches. The handbook was produced for the Special Committee on School Finance by volunteers with the assistance of the Education Commission of the States and the National Program for Educational Leadership.

Besides being a valuable tool for the policymaker, this handbook is a concrete example of an emerging coalition of those who are concerned about schools, school finance and what schools do for children. We are grateful to these cooperating organizations for their part in the production of a timely and useful document. We look forward to their continuing operation in the future work of the Special Committee.

We also hope to broaden this coalition to include other organizations interest in school finance reform, such as the Council of State Governments, the National Governors' Conference, the National Education Association and the National School Boards Association. A vigorous and coordinated effort is needed to accomplish what needs to be done in making state legislators aware of their combined challenge and opportunity, in urging Congress to take the steps it must take to make reform at the state level financially feasible, and in explaining to the public their stake in the adoption of a more reasonable and more equitable school finance system.

Mr. LAVERNE. We thank you for the opportunity of testifying, Mr. Chairman.

Mr. MAZZOLI. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, the committee was adjourned at 12 noon until March 1, 1972, at 10 a.m.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

WEDNESDAY, MARCH 1, 1972

HOUSE OF REPRESENTATIVES,
GENERAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2257, Rayburn House Office Building, Hon. Roman C. Pucinski (chairman of the subcommittee) presiding.

Present: Representatives Pucinski, Kemp, Quie, William D. Ford, Ruth, and Bell.

Staff members present: John F. Jennings, counsel; Alexandra Kisla, clerk; and Cindy Banzer, minority legislative assistant.

Mr. PUCINSKI. The committee will come to order.

We are very pleased and privileged this morning to have with us Hon. Robert W. Scott, Governor of North Carolina, who is chairman of the Education Commission of the States, and appearing here this morning representing the National Governors Conference.

I would like to welcome you, Governor, to this hearing. It is extremely important to us to get your views and the views of the other Governors throughout the Nation.

We had testimony Monday from a distinguished panel of lawyers who have been handling various cases working their way through the courts, regarding the method of financing public education in this country. And there are some cases now pending in some 38 States. And there is no question that we are going to have to address ourselves to this whole question of financing public education, particularly since the courts are telling us that we can no longer rely on local real estate taxes and property taxes as a main source of financing education, to provide equal educational opportunities, and so forth for the children of the country.

We are extremely pleased that we can have you here, sir, representing the Governors.

Now, I would like to call upon our good colleague from the committee, Mr. Earl Ruth. Congressman Ruth is one of the most conscientious members of this committee, and has been working very hard. He is an educator himself by profession. I am so pleased that Mr. Ruth is here this morning to be able to introduce the Governor to the committee.

Mr. Ruth?

Mr. RUTH. Well, first, Governor, we are very happy to have you appear before this committee.

And, Mr. Chairman, I would like to say to you that from North Carolina there are two statues in the Capitol. We chose Governor Vance and Governor Aycock, primarily because they were leaders in education. And I would like to tell you that Governor Scott is following in their tradition.

I will not take any more of the Governor's time. But I will say thanks very much for coming, Governor.

Mr. Pucinski. Mr. Bell?

Mr. Bell. I have no comment, except to welcome the Governor to this committee. I have known by his record that he has a great interest in education and is doing a great job as Governor.

Mr. Pucinski. I might just add as a footnote that we have a number of hearings here this morning on a variety of subjects and a good many of our members are on their way. They will be joining us as we move along. But I thought it best that we start now.

I know you are anxious to get back, Governor. So, if you will proceed in any manner you wish, sir. I would like to have your statement. And then perhaps we could go into some questioning.

STATEMENT OF HON. ROBERT W. SCOTT, GOVERNOR OF NORTH CAROLINA, CHAIRMAN OF THE EDUCATION COMMISSION OF THE STATES, REPRESENTING THE NATIONAL GOVERNORS' CONFERENCE

Governor Scott. Thank you, Mr. Chairman, Mr. Ruth and Mr. Bell. I am pleased, of course, to have the opportunity to be here.

Before I begin my formal testimony, I would like to say to our Congressman from the State of North Carolina here that I have really good news, I suppose, depending on whether you are interested in athletics and so forth. North Carolina State beat North Carolina in basketball by 1 point in the last few minutes. And the place went wild.

Mr. Ruth. They did?

Governor Scott. I had to get that in the record some way, being a graduate of that institution.

Also, we are here to talk about demonstrations among students. I had a small one last night at the mansion about midnight, as 200 of the more avid State fans were still rejoicing. They called for me to come forward, which I did. And we had a little post-midnight rally in front of the executive mansion.

Mr. Ruth. Governor, I would like to say that I am glad that there is still that much prestige in State beating the University of North Carolina.

Governor Scott. Mr. Chairman, members of the committee, as a member of the Human Resources Committee of the National Governors' Conference and as chairman of the Education Commission of the States, I do appreciate the opportunity to present this statement on H.R. 6179, H.R. 7796 and others relating to the financing of education.

The National Governors' Conference concluded its 64th annual meeting here last Thursday. The Conference, as some of you will recall, has concerned itself historically with the growing problems of education finance. In 1969 the Human Resources Committee rather clearly enunciated this concern in the following language and urged, "assumption by the Federal Government of far greater responsibility for the financing of education," such Federal participation to take the form of general grants to the States for educational purposes, leaving maximum flexibility to States and localities to develop programs to meet their most urgent needs.

We further urged, "Consolidation of existing Federal grant-in-aid programs for education into broad functional categories, thereby increasing the ability of States and localities to design programs within broad Federal policy guidelines to meet critical needs for individual States and localities," in conjunction with, "maximum administrative simplification of planning, application, allocation, accounting, and reporting procedures for all consolidated grant-in-aid programs to assure that the intended purpose of consolidation of grants not be subverted through detailed administrative requirements."

This is the endorsed policy position of the National Governors' Conference and has been continually subscribed to and supported by the Governors for the past several years.

In 1966 the States joined together to create the Education Commission of the States for the purpose of encouraging effective working relationships among Governors, State legislators, and professional and lay people from all elements of the educational community. It recognizes the primary responsibility of State government in the field of education, and the need for imaginative and effective leadership from the States in the improvement and reform of educational policies, and the development of better means of financing education.

The Education Commission of the States has supported the concept of grant consolidation as essential to a more flexible and logical system of Federal assistance for education. More specifically, we have supported the principle that Federal programs of aid to education be revised, reorganized, consolidated and coordinated to simplify the requirements and procedures in respect to the agencies involved in planning and administration as well as matching provisions and apportionment formulas.

In addition, the Education Commission of the States, by resolution, has recommended that the States in turn adopt a system of financial aid to local school districts which, in fact, equalizes educational opportunities and reduces reliance upon property taxes for support of education.

Governors, State legislators, and educators have continued to support the concept of revenue sharing, with adequate provisions for mechanisms that would avoid bypassing the States.

On December 20, 1971, in testimony submitted to the Subcommittee on Education of the Committee on Labor and Welfare of the U.S. Senate—a copy of which was provided to you, Mr. Chairman—I pointed out that the potential impact of passage of a revenue sharing bill for education is enormous, and that the decisions of the Congress on this subject and on other bills pending in the Congress to carry out revenue sharing proposals will determine the fundamental relationships between the Federal Government and the States for years to come.

Mr. PUCINSKI. Governor Scott, we will insert that statement at this point in the record.

(Governor Scott's prepared statement follows:)

STATEMENT OF HON. ROBERT W. SCOTT, GOVERNOR OF NORTH CAROLINA AND CHAIRMAN OF THE EDUCATION COMMISSION OF THE STATES

Mr. Chairman, Members of the Committee, as Chairman of the Education Commission of the States, I appreciate the opportunity to present this statement on S. 1669, the proposed Education Revenue Act of 1971.

The Education Commission of the States was formed by the Compact for Education in 1966, for the purpose of encouraging effective working relationships among governors, state legislators, and professional and lay people from all elements of the educational community. Forty-three states and territories are now members of ECS. We recognize the primary responsibility of state government in the field of education, and the need for imaginative and effective leadership from the states in the improvement and reform of educational policies, and the development of better means of financing education.

The potential impact of passage of a revenue sharing bill for education is enormous. The decisions of the Congress on this subject and on other bills pending in the Congress to carry out the President's revenue sharing proposals will determine the fundamental relationships between the Federal Government and the States for years to come. The adoption of revenue sharing, as a concept of government, would truly alter the structure of American Government—to the great advantage of the American citizen.

The Education Commission of the States, in a number of policy statements, has supported the concepts of grant consolidation as essential to a more flexible and logical system of Federal assistance for education. Secretary Richardson's statement before this Committee on S. 1669 aptly describes the ludicrous situation produced by the multiplicity of programs that exist under current laws, and is an excellent exposition of the need of consolidation. S. 1669 would streamline present processes by combining 33 existing formula grant programs concerned with secondary and elementary education into one program that would provide assistance in five broad areas of national concern; cut away many of the red tape requirements of the present programs; and give the States greater flexibility in planning and deciding on the application of Federal funds to their particular needs.

However, S. 1669, would not, in and of itself, provide for increased Federal assistance to States or school systems; it would not provide any general support funds for education; and it would not transfer full authority over the funds which it authorizes to the states. In short, despite its title it is a grant consolidation bill rather than a revenue sharing bill. This is not to deny the worth of grant consolidation, which ECS strongly supports, but rather to clarify what we are talking about.

A fundamental premise of this legislation is that the states should have the authority and opportunity to develop a comprehensive plan for the use of these funds. I would point out, however, that approximately 60 per cent of the funds made available under S. 1669, including all funds for disadvantaged children and children living on Federal property, would be passed through to the local education agencies. Only the remainder would be subject to authority of State Government. These would be retained at the state level for the operation of state-wide programs and for distribution among local education agencies, according to relative needs for the types of assistance available, in accordance with a State Plan for each fiscal year developed in consultation with a State Advisory Council which must be broadly representative of the educational community in the state and the public.

This Committee and, indeed, everyone concerned wtih the future of education in the country must note a strong trend in increased state involvement and responsibility in the field of education. A number of states have taken steps administratively or legislatively toward state funding of education. This trend recognizes the limits of the real property tax as a means of financing local school systems and recognizes the right, as yet unfulfilled, of every child to equal educational opportunity without regard to place of residence. As seems to be ever the case, the judiciary has also taken a role in this process. Recent decisions of the Supreme Court of California, Texas, New Jersey and Minnesota are reflections of this trend.

As the trend toward full state funding of education continues, as we believe it will, these pass through provisions may become obsolete. I would urge this Committee to take account of this in framing the legislation before you, so as to permit maximum discretion on the part of state government to accommodate to the demand for, and to facilitate the development of, uniform educational opportunities throughout the nation. If a pass through provision of funds for disadvantaged children is considered necessary, there should be at least some mechanism for appropriate adjustment as states move in the direction of full state funding.

We have some reservations about the degree of administrative discretion in the basic formula for allocating funds to the States. Heavy weighting of children from low income families as a factor undoubtedly has validity in measuring fiscal capacity of the recipient state and the magnitude of its educational responsibility. However, S. 1669 does not define low income families, but rather vests in the Secretary authority to define the term in accordance with such criteria as he may prescribe. Since this legislation is premised on the elimination of arbitrary Federal controls and administration, and the establishment of a clearly defined program of assistance for the states, such executive latitude is out of place.

Also, the 10 per cent reservation of discretionary funds under S. 1669 is not in keeping with the philosophy of either revenue sharing or grant consolidation. If the states and local education agencies are in a better position to judge the needs and priorities than is the Department of Health, Education and Welfare, it is difficult to see the justification for a discretionary fund which would be in excess of $300 million in the first full year even at the current inadequate levels of funding. Further this does not take account of the funding anticipated for the proposed National Institute of Education.

Beyond these suggestions for modification of S. 1669, we urge this Committee to examine the basic premise of the Bill, in the context of the General Revenue Sharing proposal, and consider making this legislation the vehicle for implementing a much broader program than it now contains. Secretary Richardson and other officials of the Administration have testified that the legislation as drafted is "open ended" with respect to funding, but it is clear from the FY 1971 budget that it is not regarded as a vehicle for major increases in Federal support for education. The funds which would flow to the states and local educational agencies under its authority would be those which currently are available under existing Federal programs, albeit with fewer strings.

Spokesmen for the Administration have repeatedly indicated that advocates of more substantial Federal support for education should look to general revenue sharing for such support. I would submit that a number of considerations argue for amendment of S. 1669, to provide for Federal support for education which is broader in application and more substantial in amount than now contemplated.

First, General Revenue Sharing, which would be established at 1.3 per cent of the Federal individual income tax base and produce approximately $5 billion in the first full year, would not entail as much support for education as might be supposed. Half of the money would be earmarked for local general purpose governments. Presumably, this would exclude school districts except where schools are operated as an integral part of a city or county government, or where such local governments voluntarily make payments to school districts. In theory, Federal revenues shared with municipalities and counties should reduce their dependence upon real property taxes, allowing school districts to raise their levies. However, this would be a most awkward procedure, running counter to the whole concept of revenue sharing, which is to reduce dependence upon real property taxes; and it would be inconsistent with the principle of educational equalization, by tending to force school districts to rely on widely disparate tax resources.

This means that most, if not all, of the money which might be contemplated for education out of general revenue sharing would come from the funds allocated to the state governments. While education would undoubtedly have the highest priority on these funds in the states, the President's General Revenue Sharing proposal contemplates that only half of the funds to be available under that program would be subject to the authority of the state governments.

Second, it is only fair to say that prospects for early initiation of General Revenue Sharing are not good. The proposal has been pending in the Congress for a year without visible movement toward passage, and the States and local educational agencies which bear more than 90 per cent of the costs of elementary and secondary education need help now.

I would like to suggest to this Committee that it amend S. 1669 to provide for a further category of assistance an authorization of unrestricted funds for education to be administered under state authority and funded for the first fiscal year at the rate of $2 billion. I suggest this figure as a result of some very simple arithmetic. Secretary Richardson has noted that approximately 40 per cent of state and local expenditures are for elementary and secondary education and he has suggested that this pattern may reasonably be expected to continue with funds made available under General Revenue Sharing. $2 billion is 40 per cent of the $5 billion expected to be available in the first full year of General Revenue Sharing. These funds would be authorized for allocation to the states by formula, possibly the formula proposed for General Revenue Sharing, and would be available for any educational purposes in accordance with the State Plan required by S. 1669. An automatic payment of Federal revenues, as contemplated in the President's General Revenue Sharing proposal, of course, would be highly desirable. But under the circumstances, it would be better to proceed along the authorization and appropriation route now, than to wait for the ultimate.

In further support of this proposition, I would emphasize that, while the categories of assistance included in S. 1669 are valid, they do not provide any support for the general improvement of education, including the rapidly increasing costs of teacher salaries. As Governor of a state which has a number of school districts with a high incidence of children from low-income families, I know from first-hand experience that what these districts need is general operating support and that such support would be of primary benefit to disadvantaged children. It is certainly desirable to have special programs for disadvantaged children, but in some cases this approach puts the cart before the horse when the schools are severely handicapped by very limited budgets for general operations.

The inclusion of a state-administered general aid program in this legislation would lend strong support to the movement toward state equalization in education. It would also greatly facilitate the development of cooperative programs among districts and, indeed, further school district consolidation where warranted. It would slow or halt the upward spiral of local property taxes which clearly are inadequate and inequitable.

The categorical assistance envisioned in S. 1669 reflects an effort to put together a workable program which is acceptable to the many interests which have affected Federal education legislation in the past. ECS is in accord with its purposes and philosophy. We would urge, however, that you carry this philosophy one step further and truly transform this legislation from a grant consolidation bill to a special revenue sharing bill for education.

Mr. Chairman, revenue sharing is not a matter of the states asking the Federal Government to solve their problems. The states and local education agencies bear more than 90 per cent of the costs of elementary and secondary education; however, they are dependent upon very inelastic sources of revenues. Where support for education is based largely upon real property taxes which are slow to increase, the result is a perpetual fiscal crisis for states and local education agencies. State income taxes are limited substantially by the revenue taken by the Federal Government which increases one and a half per cent (1½%) for every one per cent increase in personal income. This means that the Federal Government gets more tax revenue without the painful necessity of increases in the tax rate. It also means that the tax siphons off from the taxpayer an increasing percentage of his ability to pay. The demand for revenue sharing results from this major, built-in, deficiency in the Federal tax structure.

As has been noted, 40 per cent of state and local budgets go for elementary and secondary education. This will rise in the years ahead as state government answers greater program and fiscal responsibilities for education.

This statement is to urge the relief from the bind in which the states find themselves and to pledge that the states in turn will do their part to deliver good quality education. I hope that this Committee will receive these suggestions in the constructive spirit in which they are offered. If the Education Commission of the States can be of any help in your further deliberations on these matters, please let us know.

Governor SCOTT. I pointed out at the same time that the inclusion of a State-administered general aid program would lend strong support to the movement toward State equalization in education. It would also greatly facilitate the development of cooperative programs among districts and, indeed, further school district consolidation where warranted.

This committee—and, indeed, everyone concerned with the future of education in the country—must note a strong trend in increased State involvement and responsibility in the field of education. A number of States have taken steps administratively or legislatively toward State funding of education.

In my own State in 1970–71, our State general fund taxes supported almost 68 percent of the total expenditures for elementary and secondary education. North Carolina recognizes the limits of the real property tax as a means of financing local school systems and recognizes the right, as yet unfulfilled, of every child to equal educational opportunity without regard to place of residence. As seems to be ever the case, the judiciary has also taken a role in this process. Recent decisions of the Supreme Courts of California, Minnesota and New Jersey are reflections of this trend.

As the trend toward full State funding of education continues, and we believe it will, and as local property taxes become less significant as a primary source of education dollars, we believe that Federal legislation should permit maximum discretion on the part of State government to accommodate the demand for, and to facilitate the development of, uniform educational opportunities throughout the Nation. If, for instance, a pass-through provision of funds for disadvantaged children should be considered necessary, there should be at least some mechanism for appropriate adjustment as States move in the direction of full State funding.

Mr. Chairman, the concept of increased aid to education and grant consolidation is not a matter of the States asking the Federal Government to solve their problem. The States and local school districts already bear more than 90 percent of the costs of elementary and secondary education. However, they are dependent upon very inelastic sources of revenue, primarily real property taxes and State income taxes.

State income taxes are limited substantially by the revenue taken by the Federal Government, which increases 1½ percent for every 1 percent increase in personal income. This means that the Federal Government gets more tax revenue without the painful necessity of increases in the tax rate. It also means that the tax siphons off from the taxpayer in an increasing percentage of his ability to pay. The demand for increased general aid results from this major, built-in factor in the Federal tax structure.

Nationally, 40 percent of State and local budgets go for elementary and secondary education. In North Carolina, approximately 50 percent of our total State general fund tax dollars alone go for support of elementary and secondary education. The State's portion will rise in the years ahead as State governments answer greater programmatic and fiscal responsibilities for education.

Nor is our urgent recommendation for grant consolidation inspired by a desire to sidestep administrative responsibility. It is a fundamental premise of this Nation that education is primarily a responsibility of the States. It is our considered judgment that the requests contained herein will more adequately structure a working relationship between the States and the Federal Government and the States and local governments in meeting their constitutional responsibilities.

The efforts of the States, Mr. Chairman, while perhaps not as dramatic individually as those of the Federal Government, are, we believe—when taken collectively—every bit as significant. We believe that these collective efforts are on the verge of producing the desired results for which we all yearn. We would again point out that the States, through the mechanisms available to them—the National Governors' Conference, the National Legislative Conference, and the Education Commission of the States—are working in close harmony to resolve the issues which lend themselves to State-local resolution.

We would point out that the 1971–72 estimated national expenditure for State-local funds for elementary-secondary education is approximately $43 billion, as compared with approximately $3 billion at the Federal level, for a total expenditure of $46 billion. For 1970–71, the total figure was $38.25 billion. Approximately one-half of the $8 billion increase in the 2-year period has occurred at the State-Federal level (72 percent State and 28 percent Federal), with annual State expenditures growing from $15.6 billion to more than $19 billion.

We ask, Mr. Chairman, that the Congress continue to translate a continuing expression of confidence in the States into the kinds of fiscal terms suggested herein. We are devoted to the belief that grant consolidation will help to eliminate the administrative overburden which has absorbed an excessively large proportion of educational dollars at all levels. Additionally, we urge that the Congress consider the concept of education revenue sharing, which includes the provisions of grants for education purposes as a means of helping to relieve the States of the fiscal bind in which they presently find themselves.

We, in turn, will pledge that the States will do all in our power to fulfill our responsibilities in meeting the continuing national commitment to education to the end that every American should have the right to a quality education commensurate with his desires and his ability.

Mr. PUCINSKI. Thank you very much, Governor Scott.

The President's Commission on School Finance will undoubtedly recommend almost a full State assumption of the cost of education. This has also been recommended by the Advisory Commission on Intergovernmental Relations. And since North Carolina State finances 68 percent of financed education, your experience has been studied and has served as one of the States to be studied by the Commissions.

I was wondering if you had any suggestions here on how the States can increase their own contributions and participation. Nationally, I believe, the figure now stands at about 40 percent from States, 53 percent from local revenue, and 7 percent from the Federal Government.

Your State with 68 percent was substantially above the national average. I was wondering if you have any suggestions on what the States ought to be doing to assume a greater share of this cost.

In one of the bills we have before us, it calls for the Federal Government to assume one-third the cost of educating every child. Well, now, in your State that one-third would provide an additional 32 percent. You already provide 68 percent at the State level. So, I was wondering if you have any suggestions for other States.

Governor SCOTT. In North Carolina we rely primarily on sources of income for our general fund, a sales tax of 3 percent and a personal and corporate income tax, the personal income tax being graduated. And then there are a number of commodity taxes. But these are the two chief sources.

The options available to the States for income vary somewhat according to State constitutions. Therefore, to be able to suggest something that might be applicable to all over the country would be very difficult. I can only cite the fact that the State of North Carolina has used these two sources as a means of financing a major portion of its State program, in which we put a lot of it back into education. And incidentally added to that figure of 68 percent, we have an additional approximately 10 percent going into health-related programs, so that 80 percent of our general fund budget would cover everything except the construction of highways, our transportation. It goes to these two services to our citizens, education and health.

What a particular State might be able to do in terms of providing additional moneys for education would be difficult to say because of the differing relationships of the States and their local governments. Some States, as you know, have counties that have different taxing authorities. And they can put in differing amounts of money.

But I would say this. I am sure that all of the Governors would agree with me on this, that demands upon the States' resources and demands upon local governmental resources are reaching the point where we are being stretched pretty thin. And this is why, I think, you hear so much talk today about revenue sharing.

I think the figures you cited in your opening comments about the amount of money being supplied by the Federal Government for education is pretty indicative of where we feel that perhaps a greater source of that income could be found, that is, at the Federal level coming back through the States past provisions for local governments.

Mr. PUCINSKI. You have said that you are in favor of consolidating some of these categorical programs, as has been suggested by the administration's revenue-sharing act. I was wondering—I gather you keep a definition of a poor child in title I. I notice the administration bill would give the Secretary the discretion to use and not to use AFDC figures.

My judgment is that kind of a flexibility would keep the States and the local school boards guessing as to what they are going to be getting from year to year. What would your feeling be on that, Governor?

Governor SCOTT. Yes. I would concur, Mr. Chairman. And here is one reason why as a Governor I would not like to see that provision be incorporated into the bill. It is part of a larger problem that we encounter quite frequently in our relationships with the Federal governmental programs.

And that is the Government enacts a program and writes a piece of legislation with some such provisions in it that really does not take into account the budgeting process of the States. For instance, we have a binary budget. Our legislature does not meet annually. We meet every 2 years. And some program may come along. In this case the Secretary might decide to change the formula, the definition of a poverty child, which would require additional State funding.

All of a sudden we are called in between budget sessions. We have to come up with a few extra million dollars, which is extremely difficult. It would be much more advantageous to the States and their planning and in their budgetary processes if they could be pretty sure of the formula which perhaps could be changed by Congress upon hearings and this kind of thing.

Mr. PUCINSKI. I have one final question. Do you know that there is some talk that the President might recommend the value added tax to pay for any additional funds which the Federal Government might contribute to education? Has the Conference of Governors taken any position on this? Do you have any position on that?

Governor SCOTT. No, sir. The conference has not taken a position. We have one meeting a year in which we adopt policy. The midwinter conference is not a policymaking meeting, so the conference has no record on the value of that tax. Neither do I have any strong position on that matter. I think that any kind of tax, whether it is value added or whether it is a property tax of some type in the States, or whatever, they could write in whatever exemptions they wanted to, I suppose, to take care of those senior citizens who have less than adequate incomes. But I have no position on it.

Mr. PUCINSKI. Thank you very much, Governor.

Mr. Bell?

Mr. BELL. Thank you, Mr. Chairman.

Governor, I wanted to recap just a little bit what you said about tax collection in your State. What percentage of your funds are collected by your State? Was it 68 percent?

Governor SCOTT. No, sir. It was not 68 percent.

Mr. BELL. Some of your taxes are reflected—you said that 80 percent of your budget——

Mr. PUCINSKI. What he said is that he is now paying 68 percent of the cost of education.

Mr. BELL. Let him tell me.

Governor SCOTT. The State of North Carolina collects its major source of its general fund revenue from sales tax and income tax, both corporate and personal. The percentage of our revenues coming from the sales tax, which is set at 3 percent at the State level with a 4 percent optional for local governments—I am sorry. I cannot give you the exact figure. I will be happy to provide it if you care to see it.

Mr. BELL. But you don't use the property tax.

Governor SCOTT. There is no State property tax. That is generally reserved for county governments.

Mr. BELL. I see, the county governments use the property tax. Is that right?

Governor SCOTT. Yes; they do.

Mr. BELL. And how much of the school costs are financed by local property tax?

Governor SCOTT. Almost 100 percent of the local taxes go for schools.

Mr. BELL. I see. What percentage of statewide school costs are met by the local property tax?

Governor SCOTT. Well, the State provides approximately 68 percent. And therefore, the county or local governments would provide 32.

Mr. BELL. It is 32 percent. I see.

Governor SCOTT. I am not sure that I phrased my answer to your earlier question correctly. Up to 32 percent of the local governmental funds for education—almost all of that comes from the property tax.

Mr. BELL. I am sure that you are very well aware of the cases before the courts concerning the proper method of distributing educational funds.

Mr. FORD. Do you want to get into that point?

Mr. BELL. I will in just a minute.

Have you given any thought, Governor, to what the terms would be for this? You could collect that difference between the 32 percent, assuming that you were getting enough for the 50 percent.

Governor SCOTT. Well, again, I could only cite the State of North Carolina. And I think that probably we would simply do this. There would be two approaches you could take.

No. 1, we could either by action of the general assembly authorize additional sources of revenue for local governments. That is, perhaps we might give them the authority to let a sales tax of their own or some other form of revenue.

Or the State might simply say that we will assume the entire burden of the secondary-elementary educational costs. That would take a little doing, but it could be done in our case because we have a relatively high percent of support already anyway.

I might point out that of the amount of money in the State of North Carolina that is supplied by local governments, most of it is used for the construction of the facilities. The State pays the cost of the teachers' salaries, the operation of the transportation system, the textbooks, all of these things. The operational costs are borne almost wholly by the State. The counties use most of their moneys for facilities.

Mr. BELL. Many of the other States, as you probably know, are thinking more in terms of statewide responsibility for this. This commission featured the local level. It is more difficult.

What percentage of your income for schools is there right now?

Governor SCOTT. I think we are running at about 60 percent.

Mr. BELL. That is 60 percent?

Governor SCOTT. I am used to thinking in terms of all of education, including higher education. I am trying to separate it in my mind into secondary and elementary.

Mr. BELL. That is all, Mr. Chairman.

Mr. PUCINSKI. Mr. Ford?

Mr. FORD. Thank you, Mr. Chairman.

Governor, I once made an impromptu statement from one of our subcommittees here about the backward industry in your State and its effect on taxing cigarettes in New York State and the school system. I am having a lot of trouble with my friends in North Carolina. I would like to try for a comeback.

Apropos of what the gentleman from California said a few moments ago about the trend of the court cases, it is interesting to note that in your State, you are already providing 68 percent of the cost of elementary and secondary education from a State level, while the national average is about 40 percent.

So, at least in that regard it would appear that North Carolina is a leader in the country in being in the position that the courts would like to see the other States assume all across the country. There has been a great difficulty on the part of local people to get the State to assume that much of the burden. The local unit for financing, again, was the county in North Carolina?

Governor SCOTT. No. In North Carolina we have school administrative units both in the county and the city.

Mr. FORD. How far down does the taxing power go?

Governor SCOTT. The taxing power goes down to the county. And occasionally, the city will have a supplemental tax of some type. I say supplemental tax. That is if they want to raise money to supplement the salary of teachers.

Mr. Ford. Is the 68 percent that the State provides all operating money? Or do you also supplement local effort in school construction?

Governor Scott. The only construction money we put in is occasionally the State may support a statewide bond issue for school construction. This has not been done in recent years, however. But, occasionally they will have a bond issue for $50 million or $100 million with the same form of allocating it out to the counties. But this is an exception.

Mr. Ford. Governor, many people throughout the country have indicated to us that—we hear about so many crises in education. But we have worked ourselves into a crisis situation in parts of the country by neglecting capital improvements on our school plants at the elementary and secondary level because of the increasing pressures for salaries and other things that have greater voice before the school authorities and more pressure applied.

Would you say that you would have a similar situation; that you would have a need for some assistance in modernizing your school plant, building buildings, and things of this kind?

Governor Scott. I am sure that our county governments would agree with that, inasmuch as they bear the responsibility primarily for school facilities—educational facilities, including new buildings. But this varies.

Again, in the city of Raleigh, there is right up the street from the Governor's mansion one of the oldest schools in Raleigh. And it could stand some improvement, yes. It is adequate. But by the standards of some of our newer schools, no. I think some of the construction facilities would be helpful, particularly as we have shifting population as our cities grow because of the influx of people from the rural areas.

Demands are made upon local governments for additional school facilities. All of a sudden, a new suburb blooms and they need a school in that area. And for some reason, perhaps, an adequate school building may find itself less occupied and less than capacity. So, the governments find themselves having to perhaps abandon some school buildings that may be adequate and build new ones, simply because the population shifts.

And this places burdens on them that perhaps might not otherwise be true, if we didn't have such a mobile population in some of our areas. So, in answer to your question, I think, yes, we could use some more construction money.

Mr. Ford. There is one final thing, Governor. I have recently talked with your State superintendent about the claims being made against your State by the Office of Education under their title I program. We intend to get into the specifics of the North Carolina case with your people either there or here, because they believe very strongly that the Office of Education is dealing a little heavyhandedly.

We are trying to get some money paid back. The problem arises out of an interpretation today of what someone did 5 or 6 years ago with our categorical grants. You talk here in terms of reconsolidation. The proposal that the administration has before us of consolidation of programs with money going to the States, a proposal which, I believe, the State organization was supporting last year, does, however, specify the specific uses and purposes that the money should be put to.

In the view of some people, because the individual dollars are not allocated to the specific programs, it would call upon the U.S. Office of Education to have an even greater, more direct role in developing executive criteria for the spending of that money.

Would you consider that desirable or undesirable to have executive discretion substituted for legislative evaluation of methods of expenditure for those purposes?

Governor SCOTT. Yes. I think any Governor as an administrator would prefer some executive discretion. I think all Governors would say this. We don't have any great objection to broad guidelines as to what the money would be used for. We recognize that Congress has a responsibility for the expenditure funds. And they are not just going to arbitrarily turn it over to the level of government without some directions as to how this money should be spent and for what purposes.

And then it becomes a question of how specific will the requirements be for the expenditures of these funds. Generally speaking, the Governors would like as much flexibility as possible, because the needs of the States, No. 1, are different.

More and more States are moving now into statewide investment plans. We are trying, I think, with growing degree of success to plan for the growth and development of our States. And to do this, the States need a handle on how and where they will invest the public moneys that are available to the States. We know what the projections are within our respective areas. We know those areas of the State that need a shot in the arm economically that can be provided by the judicious expenditure of Federal and State funds that might be available, and local funds.

Also, with the executive flexibility in these decisions, we can follow the State plans for growth and development or State investment plans much easier. To be too rigid at the Federal level hampers the administrative ability of the State educational leaders and the Governor and others charged with that responsibility.

Mr. FORD. The dilemma is this that, for example, the money that goes into your State, the impact aid program, leaves Washington under a mathematical formula that proves how much each of your school units is going to receive. And no Washington bureaucrat has anything to say about what that amount will be.

So, it goes almost immediately as soon as we have finished with the appropriating process. They know exactly how much they are going to get. And generally, it is forthcoming very quickly. And they can begin planning for it.

On the other hand, as you move up the scale toward the programs that approximate, the form that this consolidated program would take, you discover that as you increase the amount of administrative discretion at the Washington level that is involved in determining who gets how much, you increase the time it takes to distribute it. You increase the number and size of the forms involved for the school people.

I have a very strong feeling that we can detect very clearly with school people a very clear corollary in this between their programs that they have confidence in and the ones that they have the least confidence in, because of the fact that they just get worn down trying to deal with the bureaucracy.

The dilemma involved is that as we remove the categorical sort of designation as to how the money is to be distributed, the formula grant approach, and put it over here into flexible money, the problem is that people who exercised the flexibility here are not very flexible. They tend to burden the whole process. That is one of the very strong concerns about going into the direction that you, and I am sure, most of the other Governors would like to go and from your point of view. But that has been our experience with this type of program.

Mr. PUCINSKI. Mr. Ruth?

Mr. RUTH. Governor, I don't think we are bragging enough. This matter represents a State that has no deficit. We have never operated at a deficit. The schools operate somewhat the same way. Back during the Depression, it was decided that the State government would be responsible for operation of all schools, so that any individual living in any part of North Carolina would get an education, regardless of how wealthy that particular community was.

It is just about possible that in North Carolina the community could go on for a while without contributing any money toward education. The basis for this is that all of the operational cost goes to the State. And the local or county or city, or whoever happens to be the local agency, will furnish the initial input. In other words, if a bus is needed, they will buy the initial bus. But from then on, the State will take care of the operation of it. If a school building is needed, the initial cost will go to the local county. But from then on the State will take care of it.

Much of the supplemental money which the cities and counties furnish is to get additional teachers or to lower the ratio which the State prepares.

Is this not still the case, Governor?

Governor SCOTT. Yes, sir. It is, very much so. The State is moving now to new programs, such as special education programs, vocational training, and this kind of thing. The State is the one that has been taking the leadership in moving into these fields.

Mr. RUTH. My point is that in a State that operates like ours, a grant would be much better than one of these loans or gifts in this categorical manner. The State has the ability to handle education the way we have in North Carolina. I would certainly hope that sooner or later we will be trusted to take the money and distribute it the way we see fit.

I was interested in your answer about the grants. I remember one time I asked Governor Rockefeller how he felt about categorical grants or the block grants. He kind of smiled and said, "Just send the money. Our budget is flexible." I realized what he was getting at. I also appreciated a little more of your answer because you would like a little more flexibility directed from the Federal area. But to make it perfectly clear, you do prefer a little more freedom in how to use this money from the Federal Government.

Governor SCOTT. That is right, sir, because decision at the Federal level may not be the propriety of function. The funding ought not to be any particular category. In North Carolina we may find, for instance, that there is less need in this particular area than there might be in other States. And then we might get some funds where we would prefer to have more of our money in a particular area.

This is not an arbitrary decision that would be made by the Governor or by his staff. This would be, as I am sure you know, something developed by the State department of public instruction together with the State board of education. And really, it is done in conjunction with having the input of a lot of people.

Mr. Ruth. We keep hearing suggestions of formulas for what percentage the Federal Government should spend and what percent the State should spend and what the local should be. And this also puzzles me. I feel like the Federal Government should decide what percentage they can give and let the State and local governments work it out. There are vast differences among the various States and how they finance their education programs. How do you feel?

Governor Scott. I feel that would be a good approach, because there are marked differences, as you know, among the States. And some are going to have to assert greater efforts than the others, obviously. And again, the figures show that some are putting much less into their resources percentagewise than other States are. So, they have the responsibility to increase their effort.

I don't think any program on the Federal level ought to be of the nature that would stifle local inititaive or their effort to improve their situation.

Mr. Ruth. Governor, I congraulate you on a clear and concise statement. Again, it is a pleasure to have you here.

Mr. Pucinski. Mr. Kemp?

Mr. Kemp. Thank you, Mr. Chairman.

I would like to welcome the Governor here. And may I ask, sir, in view of recent court decisions and your statement about the movement toward State equalization in education, how will that affect North Carolina? What are some of the disparities right now in spending in the various districts?

Governor Scott. Well, I think that we have some disparities in school construction, again, because of the fact that this portion of the educational program is financed primarily by local government. However, the State does have the opportunity to alleviate any discrepancies here if it so chooses by enacting a statewide bond issue under some legislature to go to those counties that need new construction.

The basic support for public elementary and secondary education throughout North Carolina is the same. In other words, a teacher in a so-called poor county and a teacher in a so-called wealthy county get the same base salary. Now, sometimes a so-called wealthy county, because of a large city that would supplement that salary, would raise it up above the State minimum.

There have been questions raised as to whether this is proper or not. I personally take the view that it is, provided that the State makes that basic salary adequate. It is contrary to everything that this country ever stood for, not to allow anyone to do better if he can. And I think that this includes local governments.

If you have a State salary and the local governments want to do a little better for their teachers and go out—it is like recruiting ball players. By golly, we will just go out and get the best we can find and we will pay for them. That is professional teams and not schools.

Another example would be in high school, where there might not be funds for a band to have new uniforms or enough instruments. So, the PTA or the Band Boosters Club or whatever put on barbecues and fish fries galore until they get the money to do it. This is local initiative. And if they want to tax themselves additionally to go beyond that which the State provides, then I think it is fine that they do so. But again, the State does have that responsibility to get that minimum up there to be sure that none of them are suffering.

Mr. KEMP. I am glad to hear you say that, because that is my feeling, that there should be a basic floor but certainly no ceiling. What would be the effect if some of the court decisions were interpreted in North Carolina that there be a ceiling? There would be absolute equalization of education. What do you think would be the effect on raising the resources or the effect on taxes in North Carolina if that were implemented?

Governor SCOTT. In North Carolina there are not enough of those cities and communities that have supplemental tax. And this goes primarily for salaries of teachers, I might add, or perhaps to provide extra teachers in special programs. But that extra effort is not of the magnitude that the State could not pick it up if they had to.

In other words, I do not think that there would be any coming down. Rather, I think the State would attempt to bring it up, because there is not that much difference, quite frankly. There might be one exception, perhaps, in the city of Charlotte. I don't know really what some of these cities do.

Mr. KEMP. Have you given thought to the extension of that premise—that is, the premise of full State financing with an absolute ceiling on spending from district to district, as I understand it—the logical extension of that premise throughout the country would also preclude any disparity between the States. Have you given thought of that in your overall approach as it relates to these recent court decisions?

Governor SCOTT. Well, we, of course, have a uniform system or a uniform funding throughout the country. This is going to mean heavy involvement of the Federal Government if you do this. If you are speaking of something of this magnitude, it is going to require full State funding. And I think you are going to have full Federal funding. By that I mean that the Federal Government is going to be heavily involved.

Mr. KEMP. Do you mean that there would be a greater control at the Federal level?

Governor SCOTT. Mr. Ruth mentioned a moment ago what happened in North Carolina during the depression. That was what forced our State government back in those years to assume the cost of schools. Local governments just couldn't do it. So, the State said, "Okay. A child from a poor county has just as much right to an education as a child from a wealthy county. And so the State is going to take over the operation of the school system."

And indeed it did take over the school system and a number of other things at the same time. That philosophy could very well be extended at the Federal level. A so-called poor State—none of us likes to admit that we are—but you might say that that child is a national resource. He is going to grow up to be a doctor, lawyer, farmer, auto mechanic, housewife, whatever. But that child is a national resource. And therefore, it is in the national interest that we give that youngster an opportunity for an education.

He is not necessarily going to live in that State forever. He might move to New York, California, or someplace. And when he moves, we want him to have advantages of the others. But this means that if you go that route, you are going to have no doubt what amounts to a Federal system of education. This may extend itself. I don't know. I am just thinking out loud.

This may extend itself into nationally standardized educational programs, standardized textbooks, standardized—the whole works.

Mr. Kemp. Basically, if I understand your answer, the costs and controls would not have a result commensurate with the costs in terms of local control of education.

I have no further questions, Mr. Chairman, and I appreciate your testimony Governor and agree with you in regard to these matters.

Mr. Pucinski. Mr. Quie?

Mr. Quie. Thank you, Mr. Chairman.

Governor, if I understand you correctly you favor revenue sharing with a pass through to the local schools. Does this mean that you think the Federal Government ought to devise a formula within the State on the distribution of the Federal moneys rather than the State providing that formula?

Governor Scott. What we would like to see done—and we talk about this in North Carolina, not specifically in terms of educational funds, but in terms of revenue sharing in general. And we could do this. I am not sure that all States could. But we could, and would, meet with our representatives of our local government—our counties, our cities—and sit down and devise a passing formula and, if necessary, get that formula enacted by the legislature.

Then, we could feel fairly sure that it would remain the same, something that the State and local governments would agree on. And, of course, this I think, would have to be submitted to Congress for its perusal and approval. But we are capable of doing it in our own State and those States with large cities. Sometimes those city governments and State governments do not get along too well. This may become difficult.

But in our State we would like to devise that formula ourselves by mutual consent and agreement, if we could do that.

Mr. Quie. I notice that North Carolina probably has less difference between the high district and the low district than most other States. You would expect this to be the case because of the high percentage of school revenue that comes from the local community. I imagine that you also have an equalizer to bring this about as well. Would that be right?

Governor Scott. No, sir. We do [illegible] in, they have a basic salary. They have States textbooks. They are bought through the State and made available.

The formula for support of local schools based on per pupil is the same. In other words, there is no equalization according to the district or to county.

I might say, too, that another factor here that you may or may not be aware of is the fact that our population is fairly well distributed in large cities in North Carolina. And consequently, there may not be with the exception of some of our extreme eastern and extreme western counties—most of them are relatively populationwise the same.

Mr. Quie. First of all, let me ask you, what do you think would be the optimum money per child that could be spent? We heard yesterday or the day before from the American Federation of Teachers that it ought to be $1,600 as an average for the Nation. What would you figure the per student cost to be in North Carolina?

Governor Scott. I don't know. I have no figure to suggest, sir. I have not really thought about that. Perhaps I should go back to my home State right now, where there are about 10 candidates who want to take my place next year at the Governor's office, and who are talking a lot about education. Maybe they have some ideas. But I have no figure to suggest. I have really not thought about that from that standpoint.

Mr. Quie. Why is it that North Carolina spends less per child than its neighboring State of Virginia?

Governor Scott. I can't answer that, except that we don't really try to follow the State of Virginia necessarily. And I am sure that they don't necessarily try to follow what we do. We go our own route. As to why that is, I don't know. I am not familiar with their tax structure.

Mr. Quie. And the same thing occurs with South Carolina. You are ahead of Kentucky and Tennessee, in that area. But South Carolina spends more per child in figures that I have seen, and makes that percentage of the per capita income that goes for education a little higher than North Carolina.

Governor Scott. Do you mean the percentage of the per capita income?

Mr. Quie. Yes. I was wondering if you——

Governor Scott. I am really unable to answer your questions.

Mr. Pucinski. On that point, your State income per capita is much higher than South Carolina's, isn't it?

Governor Scott. It is not much. Our per capita income is 39th, I believe. I am not sure what South Carolina's is.

Mr. Quie. It is $3,400. South Carolina had $2,733, according to a survey of current business information as of August 1971. I was just interested. If we are going to bring about an equality of expenditures within the State through decisions like *Serrano*—I recognize that doesn't immediately transfer through the courts to provide equality of expenditures between States—maybe it will be the policy of this Government to bring about such equality between States.

I would like to get some information as to why this disparity exists between States. I think we can find some reason why it exists between some States, like between North Carolina and New York. I would also like to compare New York and Pennsylvania where no good reason might exist for different expenditures per child.

Governor Scott. I would be happy to ask the Southern Regional Education Board, although it deals primarily with higher education, does have some studies on this type of thing. Also, I could ask our own State people, if you would like to have that analysis of why, particularly with the States you mentioned, the difference may exist.

Mr. Quie. I would appreciate that. And if they would, also, if they could do this, look at the special help features like aid for disadvantaged children under title I. My feeling is that the added expense for bringing a disadvantaged child or handicapped child up to a level isn't going to be less in South Carolina or North Carolina or Virginia than it is in the Northern States. I would like to get their views on that as well.

Governor Scott. That is true. I was just looking at these figures that have been handed to me here. Even though the per capita expenses per child in the State is less for a total program, the State itself fits in a higher percentage.

Mr. Quie. That is true. The State does.

Governor Scott. I think this again reflects on the State support versus local government.

Mr. Quie. The assumption among educators is that if you get a higher percentage coming from the State, there will be more money spent on education. If there is a higher percentage from the Federal Government, there will be more money spent on education. That may be a fallacious assumption.

Governor Scott. Again, we are talking about flexibility of State government. All governments, of course, are involved in a fierce competition for funds.

In North Carolina we have been trying to move strongly in prison reform. Also now it becomes apparent that we are going to have to make some major expenditures for custodial care in mental health institutions. So, then it becomes a question of priorities of the State. There are only a number of dollars available. And there is a limit to what people will approve in the way of taxes.

This is why there needs to be that flexibility to a degree with these expenditure funds. Now, Federal funds would be earmarked for educational purposes and perhaps even more closely defined as to what is to be within that framework. I think one of the questions that would have to be asked is additional Federal money coming into any State for the support of secondary and elementary education, would this in effect free up additional money for the State to allocate to other resources.

I am sure that this is not the idea. But you still want the State to maintain and even increase its efforts in public school financing.

Mr. Quie. In hearings we held in the country earlier this year, the States whose expenditures per child were way above the national average have recommended to us that Federal aid of close to 30 percent should supplement or supplant local effort for education. Those who spend less than the national average have asked us to supplement the local levels. So, I imagine that there is a demand for better education.

The last thing I want to ask you about is whether there is a difference in the way statistics are gathered to provide in your testimony the figure of 68 percent of the elementary-secondary education funds from the State in 1970 and 1971. NEA has compiled some information and they estimated the statistics for 1971 to 1972. They have the figure for North Carolina as 77.8 percent from the State.

I was wondering, has there been a change from the year you quoted up to the present year? Or did they gather their statistics differently than you did?

Governor SCOTT. I am not certain as to the statistical methods. In fact, I do not know the statistical methods used by NEA. I would assume that it would work through the local unit of the North Carolina educators. We do find that there are different figures, even in our own State legislature when the hearings are held.

The State Department of Public Instruction comes forward and sometimes the professional organization disputes those figures and will come forward with those of their own. I think there may be a degree of difference in what is included, perhaps, in those figures.

Mr. QUIE. It is interesting to me. I thought it might be to you, too, if you want to check on that.

Governor SCOTT. Yes.

Mr. QUIE. The information from the NEA statistics was that the Federal support was lower than 7 percent. You ought to check that.

Governor SCOTT. This was elementary and secondary education only, not higher education?

Mr. QUIE. Yes, sir.

Governor SCOTT. I will.

Mr. PUCINSKI. Governor, I don't recall when you said in answer to Mr. Kemp, what were the expenditures in North Carolina?

Governor SCOTT. I do not have that figure.

Mr. PUCINSKI. But do you know whether it varies? As I understand your system, the county sets up the basic structure for the educational system. They build the schools. They provide facilities. But the State government provides the funding of teachers in programs and everything else, once the county has established the facilities. Is that correct?

Governor SCOTT. That is correct.

Mr. PUCINSKI. Do you know offhand, or do you know whether or not that expenditure then is equal expenditure throughout the State per student?

Governor SCOTT. From the State level, it is, yes.

Mr. PUCINSKI. Do you have a floor as we discussed here? Some communities tax above that floor for additional facilities. They can do that?

Governor SCOTT. That is right.

Mr. PUCINSKI. You are almost doing what *Serrano* and some of these other decisions have indicated in terms of providing an equal educational opportunity. Is that more or less correct?

Governor SCOTT. We think so, Mr. Chairman. And, frankly, as I indicated to someone here informally before the hearing began, we really did not get too excited about the decision there, because we wondered what ramifications it might have across the country, of course. But we weren't really too upset about North Carolina, except that we thought perhaps that we might have to do a little more.

Mr. PUCINSKI. Now, this 32 percent local government that is contributed, you said earlier, comes almost exclusively from property taxes in local communities.

Governor SCOTT. That is correct.

Mr. PUCINSKI. Does that 32 percent in any way limit the kind of education the child gets? I am trying to figure out how you match that? Is money in your State distributed on the basis of what the local community does and you match that?

Governor Scott. No, sir. The State apportions its money out. The local government does whatever it has to do to meet its responsibilities, again, for the provision of school facilites. Some are stretched awfully thin. And you can go to a community—I am sure that this is not unique in North Carolina—and you can see a school building that looks almost new. Knowing that this has been completed a couple of years ago, you see mobile home trailers out there for additional classrooms, mobile classrooms I believe they call them.

The county is simply not able to construct additional classrooms fast enough. They use temporary measures. When the big money comes in, it is not on a matched basis. There is no requirement that a county put up this 32 percent or whatever its portion may be. That is an average figure, of course. Some counties will have a greater portion of their total county budgets going to schools and other offices. Some try a little harder. Their demands are greater.

Mr. Pucinski. That is what I am trying to get at, the perspective here. In the Senate testimony you indicated that the education revenue sharing bill would not provide substantial new money. It would merely provide a backup for funding a program during the transitional period.

And I notice the bill before the Ways and Means Committee dealing with a broad revenue sharing proposal doesn't include the financing of education. It seems to me that the only way we are going to help the States is through some form of general aid bill, either to the States or to the local communities. Is that a safe assumption in view of the fact that the revenue sharing itself is not going to do the job?

Governor Scott. As I understand the bill now before the committee, the Ways and Means Committee, that portion of the money that would be alocated to the States could be used for that portion going to local governments.

Mr. Pucinski. That does not include education among the list of uses for these funds, whereas the Nixon revenue sharing would allow for money given to the State government for distribution.

Mr. Ford. Except that it throws it into competition on the same level with all the other problems which the Governor outlined.

Governor Scott. Yes. I have reference to the Mills' bill.

Mr. Pucinski. Do you think the position of the Governors in this contract is that we ought to have a specific bill dealing with education on terms of aid to the States for education? As counsel has pointed out, in the administration's revenue sharing bill, you get the money and spend it where you most urgently need it, such as the prison reform program.

In my State we have a crisis in public aid, a $1 billion shortage. Various States have different problems. And my own fear is that going that route will again shortchange education. I am wondering whether you think we need legislation specifically to provide money for education?

Governor Scott. In other words, if I understand your question right, you are concerned that the moneys that are in a large group of things may get lost in the shuffle.

Mr. Pucinski. I have no quarrel with revenue sharing. I think it is great. When you consider that the Federal Government has 64 percent of all taxes in this country, surely the idea of rebating some of this money back to the States is one that couldn't really impose hardships to any degree. What I am afraid of, though, is that there is so much competition for that rebate or revenue sharing or whatever you want to call it, that education would again find itself low on the priorities. And that is why I personally prefer to structure a general aid bill specifically earmarked for education. And then let's try and figure out where that money is going to come from, whether it is going to come from VAT or whether it is going to come from readjustment of priorities and budgeting or whether it is going to come from Vietnam or where it is going to come from. I don't know.

But it seems to me that the way to go is that you want to insure every child equal educational opportunities in this country. We ought to have an education bill designed for that purpose. What that would establish is a minimum floor and would set up the Federal conference share in meeting that national goal. And the money woud be earmarked categorically for education.

Do you think that the Governors would favor that approach?

Governor SCOTT. Mr. Chairman, it would be my opinion that the Governors would be willing to accept assistance from whatever route it came. If there is any judgment in this committee that the general education bill ought to be set up, I don't think that you would hear any objection from the Governors about that approach.

Failing that, of course, I think they would look to the other means.

Mr. PUCINSKI. I have one final question. You probably do not have that problem in your State because of the way you distribute your money for education, but there obviously is a problem around the country, or you wouldn't have these decisions coming down the pike.

Would you have any strong objections to this legislation provided some requirement, the Commissioner would not approve an application by a State for funds unless there is some assurance that these funds will be made available for each child in equal opportunity to a good education?

Governor SCOTT. I think the States will be willing to submit a plan for which the moneys would be spent and how it is to be spent for consideration by a commissioner. This idea of the State developing a plan to which the Federal agents can look to be assured that their moneys are being expended in a way that they intended them to be spent is not foreign to the way we have been operating for some time in any number of areas.

I think that this would not require discussion or would have any great objection from the Governors.

Mr. PUCINSKI. Do you have anything, Mr. Ford?

Mr. FORD. Governor, one of the bills which I have discussed with some of the people in North Carolina, the so-called Quality Education Act of 1972, a nice title put on it—the beauty of the word "quality" in that act is that we don't define it. But we do say that each State will define it. And within that State the State education authority or whatever it may be—in some States the Governor—has a part in it.

In some States like my own, the Governor is deliberately blocked out by the Constitution and has no effective voice in the educational policy at the elementary and secondary level. We don't have a local control, which is sometimes a disadvantage.

But what we really say is that in the State of North Carolina and the State of Michigan, the State educational authority will determine what kind of measurements they would apply across the State to get assurance from individual school districts in that State that they are providing "quality education" measured by North Carolina or Michigan standards.

There are some who criticize that as being too open, because they are fearful that some of the States may regard it as being behind times and would stay there. But on the other hand, educators across the country, administrators, school board people primarily have indicated that they believe that we have reached the stage of maturity now in the school administration in this country.

There is no shortage of public outcry for improvement in quality. So therefore, there would be a natural pressure to develop a pretty comprehensive plan within their State that would allow us to avoid the problem that we get into the minute that we try, the problem with our categorical programs trying to define on a national basis what education deprivation is.

What is needed in Los Angeles, with a large Spanish speaking population and what is needed in Michigan are very different. It has been very difficult for us to do any of this definition on the national level without causing all kinds of dislocation of traditions. The traditions in 50 States are so different.

Your State is lucky to be one of the older States. In answer to what Mr. Quie said a little while ago, I once saw a study that said if you look at the date on which the State came into the Union, you can tell how fragmented their educational system was, because between the War of 1812 and the other one that started around 1860——

Governor Scott. That was the war of Northern aggression.

Mr. Ford. Almost every State that came into the Union during that period of time set up a very religious structure against the State capital, not only with regard to the schools, but with local government there was a great wave of suspicion of State capitals during that period of time.

And if you look throughout the Midwest, you will find all kinds of things in the constitution boxing the Governor in to keep him out of education, for example. It really makes it look like he would ruin the whole thing if he got near it. When you go into one of those States and start talking about putting money into the State capital, you just trigger off a whole reaction that doesn't occur here. So, we try in this legislation to avoid that.

The money that goes into that State—you have to fight about who is going to make the policy decision on what quality is at the State level and to what degree you can make it. For example, in your State, I am sure, you are at liberty to set standards for textbooks. In my State by constitution, each locally elected school board has the constitutional power to select textbooks. So, the State superintendent's public discretion is completely void. He could make some suggestions. But that is all.

We try in this legislation to avoid getting into that battle. North Carolina will decide as it always has, who will make these discretionary decisions. Whether we talk about distributing money through a

State or directly to school districts, most of the committee would feel that the essential element is to maintain that kind of autonomy.

If that the same time we can find a way to keep a State that isn't—I can't name one—but if there were such a State, from taking the money and not using it properly.

Mr. PUCINSKI. Governor, I get the impression and I have said this earlier today that we are in kind of a race against time on two scores. One, we are racing against decisions like the *Serrano* decision. And two, we are racing against the ever-increasing number of court decisions on relocating youngsters and so forth to meet educational opportunities through busing and otherwise.

You people had the *Charlotte* decision. I was wondering in your testimony if you tend to speculate, if we did have a system of financing education where every youngster would be indeed insured of equal education opportunity, admittedly in many parts of America where they are not, do you believe that this might be the answer to the problems that the Judiciary Committee is now wrestling with and various other committees here in Congress, what to do about this whole business of court ordered busing?

Governor SCOTT. I don't believe that that is the total answer. Certainly, any parent—and I speak as a parent of five youngsters in the public schools—if I have assurance that my youngster is going to be attending a school that has facilities at the level of instruction or quality of instruction as good as the one that they would normally go to, I feel a little better about it.

But again, it is just the feeling again of the fellow who lives across the street and sees a nice schoolhouse there. And he is right across the street. Why can't his youngsters go to school there instead of having to take them way across town and those being brought back over here? Now, we know why this is being done. But the two schools were the same. He just has that feeling, "I don't understand. There is a public school. I pay taxes to go to school. Why can't he go to school there?"

The equalization of facilities programed quality would tend to help, just as the additional—again, I speak for my own State—buses would keep them from being so overcrowded the time of the bus route. That is, the time the youngster was on the bus could be shortened.

Some of these things would also help. This decision has causes now. And all of a sudden we have to transport a lot of children. And in fact, we were not financially capable to do it. We had to call out of the reserve fleet many buses that we think are safe, but we wouldn't have retired them unless we thought they ought to be retired.

We had to call these out. We have had to double up on routes and a lot of this kind of thing. I don't think there is one particular thing that would resolve it. But it would be a help.

Mr. PUCINSKI. As I read the temper of the country, the Nation and the people, all people—people from minority groups as well as people from the majority—seem to be telling us that if we do set up a system, equal opportunity for quality education, a good education, that the idea of massive transportation to schools itself is going to somewhat abate.

Now, this is not to say that you are not going to have some degree of effort to integrate schools. But there are those who argue that the pressure for this kind of massive integration will certainly diminish if everybody had a good education.

I was interested in your remarks. And perhaps this is what the courts are telling us. Maybe we are failing to listen to the courts. Perhaps the courts are telling us that in the absence of that kind of a national commitment to good education for every child, the courts have no alternative.

What the courts are saying in *Serrano* is that, if you want to avoid a decision in many parts of the country, you had better give every child an equal educational opportunity to get a good education. Am I reading that correctly?

Governor SCOTT. I don't know. I haven't really thought about it in that light. If this is what the courts are trying to tell us, I wish they would just say so. It would make it a lot simpler.

Again, I cite experience in North Carolina. A number of years ago following World War II, the State began to recognize that it had indeed been negligent in the tradition of black schools. And, consequently, in looking back when the court order came along for integration of the schools, we found that many of the best schools were built for the black students, that is, the traditionally black communities, so-called black schools.

And, in many instances, they had far better schools, facility wise, than the whites did. Now, the building doesn't mean a total thing in quality education. We all recognize that. But, again, the teachers were paid the same salaries. They were certified by the State certification for black and white. The same textbooks were used by the blacks as by the whites. And we are talking about years ago.

So, when the integration movement came along, we found some resistance, not great, but there was some concern on the part of the blacks that they had better schools than the ones they were being taken to. And I can't say what it is in other parts of the country. This is not to say that it is all that way. There were some, of course, that were less than adequate because they were built at different times.

Mr. PUCINSKI. Gentlemen?

You have been very helpful, Governor. And now I want to congratulate you for your broad analysis of the subject. I appreciate your coming while you are chairman of the Governors' Committee on Education.

I would also like to thank Mr. Bob Alcott from your Governors' Conference for helping today. We hope to work very closely with the Governors' Conference.

We would like to thank you for helping us put this in the proper perspective. Thank you very much, Governor.

Governor SCOTT. Thank you, Mr. Chairman.

(Whereupon, the committee adjourned at 11:50 p.m., subject to call of the Chair.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

MONDAY, APRIL 17, 1972

House of Representatives,
General Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 2261, Rayburn House Office Building, Hon. Augustus F. Hawkins (acting chairman of the subcommittee) presiding.

Present: Representatives Green, Hawkins, Quie, Bell, and Veysey.

Staff members present: John F. Jennings, counsel; and Charles W. Radcliffe, minority counsel.

Mr. Hawkins. The meeting of the General Subcommittee on Education will come to order. Mr. Pucinski's plane is late arriving, therefore, we will start the hearing because of the urgency of the meeting and the witnesses are here.

I understand that Mr. Pierce and Mr. Karsh are appearing this morning for the President's Commission on School Finance.

STATEMENT OF NORMAN KARSH, EXECUTIVE DIRECTOR, ON BEHALF OF NEIL McELROY, CHAIRMAN, PRESIDENT'S COMMISSION ON SCHOOL FINANCE, ACCOMPANIED BY WENDELL PIERCE

Mr. Hawkins. Mr. Karsh, your full statement will be printed in the record at this point, and you may proceed.

(The prepared statement of Neil McElroy, Chairman, President's Commission on School Finance, follows:)

Statement of Neil McElroy, Chairman of the President's Commission on School Finance

Mr. Chairman and members of the subcommittee, my name is Neil McElroy. Until March 3, 1972, I was privileged to serve as Chairman of the President's Commission on School Finance and of the National Commission on School Finance established by the Congress. With me today are Dr. Weadell Pierce who also served in the Commissions and Mr. Norman Karsh, the Executive Director of the Commissions. Among the three of us, we shall be glad to try to answer any questions you may have about our work.

It is a pleasure to appear before you to discuss the program of the Commission on School Finance. Before we discuss the conclusions and recommendations of the Commission, it might first be appropriate to provide you with a little background.

The President's Commission was established by Executive Order 11513 on March 3, 1970, to study and report on the "future revenue needs and resources of the Nation's public and nonpublic elementary and secondary schools." On April 13, 1970, Public Law 91-230, entitled *Amendments to the Elementary and*

Secondary Education Act of 1965 was enacted, and it contained a provision for the Commissioner of Education to establish a National Commission on School Finance to study and report to him and the Congress on the "problems of financing elementary and secondary education."

Because the tasks under both authorities were virtually identical, we were asked and agreed to serve both as a Presidential as well as a Congressional Commission. The Commission had eighteen members and a full listing of its membership is attached to this statement.

I believe it is pertinent to explain to you just how the Commission operated.

We felt from the very beginning that an examination of school finance had to be built upon an understanding of what education, or more important, what *quality* education meant. We had to establish, for our purposes, a working definition of quality eduaction and *equal educational opportunity* in order that we could then see how financial implications could be determined. This was not an easy task, and we spent a considerable amount of time on it. The result has been included in our final report and is expressed starting on page 14 of that report.

A second major consideration of the Commission in its earliest deliberations was the identification of where, in the American system of government, any major reforms in the financing of education could be implemented. It became readily apparent to us that there was such a focal point, but that the history of American education had been such as to make this focal point obscure. That critical point, Mr. Chairman and members of this Committee, is clearly, in the opinion of this Commission, at the State level of government. This is not to minimize the role of the local school district, nor the Federal government. Each must play a vital role in improving our educational system. But when we think about the many complex facets of school finance, and relate them to the objectives of quality education and equal educational opportunity, we believe most strongly that State governments must play the key role in bringing about any major revision or restructuring of the current system of raising and allocating money for schools.

From the inception of this Commission, we knew that we were not at a starting point, but in the midst of what may well be the most pervasive examination ever directed at a fundamental aspect of our national life. Our role was to participate as a deliberative body rather than as another research agency. Fundamental values attributed to the educational process had been under intensive reevaluation for some time and the national direction was clearly uncertain. What was needed, we believed, was a redefined objective of the role of education both from an individual as well as a national perspective.

Much research had been done, and many discussions, studies and hearings related to education already had taken place over the last several years. We first had to inform ourselves most thoroughly of where, as a Nation, we were in our search for a national direction. That we attempted to do, and in the process, we have caused to be brought together a substantial body of opinion and knowledge relating to practically every phase of elementary and secondary education in this country.

Since the financing of education affects many institutions in our society, we attempted to engage and involve as many as possible. An announcement in the *Federal Register*, the bulletin board of the Federal government, outlined the Commission's program and invited any interested organization in the Nation to express its views on our work. Then, to insure against the possibility that some might not have seen *this* invitation, we approached more than 30 professional, religious and civic organizations and invited them to submit statements and to meet with Commission members. Most submitted statements and many sent representatives to meetings of the Commission.

Before arriving at any conclusions and recommendations, this Commission outlined the basic issues confronting the school finance dilemma. These issues and a series of alternative policy recommendations which might be made by the Commission were submitted to a group of distinguished consultants representing the broadest possible range of opinion. They were asked to comment on the perceived issues and possible policy recommendations and to add other recommendations they considered effective alternatives.

At the same time, in pursuit of these issues, the Commission initiated the necessary studies by academic institutions, independent research organizations, government agencies, educational consultants and the Commission staff, to place into perspective the pertinent information and data that would help in arriving at recommended policies. In so doing, particular attention was given to the work that already had been done to insure that there would not be any duplication of effort.

The Commission was determined to reach beyond scholarly research and get to the people who make and implement the policies that produce our education—those who *can* bring about reform. It was essential, therefore, that we include among our projects several major efforts to determine the opinions and attitudes on education of the following:

The Chairmen of all educational committees in all the 50 State legislatures.

The superintendents and school board chairmen of big city school systems.

State Governors, legislators, local board members, labor union officials, Federal education officials, and key people who influence them.

Policymakers and administrators who use educational information.

The breadth and depth of these consultations, studies, surveys and hearings have given this Commission a most valuable foundation for its deliberations. And the assembly of facts, figures, ideas and opinions which measure, describe, explain and evaluate the many aspects of the system, will become a permanent legacy. A list of the reports prepared by the contractors and Commission staff is included in the appendix to the final report of the Commission.

Mr. Chairman, that is how we went about our work—with no preconceived conclusions as to how our final recommendations would come out, but with open minds and a sincere desire to learn the nature of the problems, their causes, and their possible solutions.

I have not elaborated on any of the Commission recommendations in this opening statement. There are many and they are varied. I believe that these recommendations can best be discussed in answer to your specific questions. However, I would like to conclude my statement by saying that any solution to the pressing problems of school finance must take into account that there is no single prescription which can be made to fit the needs of all 50 States and 17,500 local school districts. While it is possible to reach general agreement on objectives and aspirations, the practical considerations of tax policies, intra and intergovernmental relations, local control and operation of the schools, priorities between all public functions, and a host of other considerations require that the States and local school districts be given the widest latitude in determining how these objectives and aspirations are to be attained.

My colleagues and I will be glad to answer any questions. Thank you.

PRESIDENT'S COMMISSION ON SCHOOL FINANCE

Mr. Neil McElroy, Chairman.
President's Commission on School Finance.
Chairman of the Executive Committee of the Board of Directors,
Procter and Gamble Company.
Mrs. Mary Brooks,
Director of the U.S. Mint.
Mr. William G. Colman, President,
Montgomery County,
Maryland School Board.
Dr. Hilda A. Davis,
Professor of Education,
Wilmington College.
Dr. John B. Davis, Jr.,
Superintendent of Minneapolis, Minnesota Schools.
Dr. John H. Fischer, President,
Teachers College,
Columbia University.
Dr. Dorothy M. Ford,
Consultant, Career Education,
Los Angeles County Superintendent of Schools.
Dr. Norman Francis, President,
Xavier University.
Dr. Eugene Gonzales,
Deputy Superintendent of Public Instruction,
California State Department of Education.
Mr. Warren P. Knowles,
Chairman of the Board,
Inland Financial Corporation
(Previously Governor of Wisconsin).
Dr. David H. Kurtzman,
Secretary of Education,
Commonwealth of Pennsylvania.
Dr. Duane Mattheis,
Deputy Commissioner for School Systems,
U.S. Office of Education.
Bishop William E. McManus,
Director of Catholic Education,
Chicago, Illinois.
Mr. Wendell Pierce,
Executive Director,
Education Commission of the States.
Mr. William G. Saltonstall,
Principal Emeritus,
The Phillips Exeter Academy,
Exeter, New Hampshire.
Dr. W. B. Thompson,
Superintendent of Greenville, Mississippi Schools.
Dr. Clarence Walton, President,
Catholic University of America.
Mr. Ivan E. Zylstra,
Administrator of Government Relations
National Union of Christian Schools,
Grand Rapids, Michigan.
Mr. Norman Karsh,
Executive Director.

All Commission members served as individuals and the contents of this report does not reflect the views of their organizations.

Mr. HAWKINS. We will also insert at this point in the record the chapter from your report which summarizes your findings.

SCHOOLS, PEOPLE, AND MONEY—THE NEED FOR EDUCATIONAL REFORM

THE PRESIDENT'S COMMISSION ON SCHOOL FINANCE—FINAL REPORT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For millions of children, American education—both public and nonpublic—is not working as it was intended to work.

Having stated that, this Commission hastens to point out that, for many millions of others, the educational system has worked remarkably well. Despite the manifold problems which today beset our society, it is clear that our phenomenal progress as a Nation is due largely to the success of our schools.

Yet, commissions to study broad national problems seldom, if ever, are appointed to record only the good and the pleasant to hear. Like others with different concerns, this Commission was assigned to seek ways of making a vital system better. To do that, it is necessary to dwell more on what is wrong than on what is right, but to recognize that our present strengths provide the strongest resources for correcting our weaknesses.

There is regrettably, much that *is* wrong in education. The system which has served our people so long and so well is, today, in serious trouble, and if we fail to recognize it, our country's chance to survive will all but disappear.

That very recognition, however, provides a foundation for hope. This Nation surely possesses the intellectual and the physical resources to provide fruitful education for its children. Yet in the process of creating itself—the system of governments, public and private institutions, and people that comprise American education—the Nation has often lost sight of its fundamental responsibility to the children. Now, as education faces the urgent task of reforming its institutions and its functions, it must not lose sight of the children. That is the first premise of this Commission.

The interrelationships among the governments, institutions, and people—complex and intractable as they appear—must and, in fact, do provide means for reform. Both the Constitution and our history make that clear. The Constitution makes no reference to education as such, implying without question that it is a responsibility retained by the States. But in its Preamble, the Constitution seeks to "promote the general welfare, and secure the blessings of liberty to ourselves and our posterity." In that way, it assigns the Federal Government a significant role in education, which surely is an ingredient of "the general welfare" and of concern for "our posterity." Even before the Constitution was ratified, the Federal Government began the practice of contributing public lands in States and Territories for school sites as incentives to the spread of local education. That relationship provides the basis for effecting the reforms American education requires now.

For both constitutional and practical reasons, the State must bear the primary responsibility for designing, financing, and implementing those reforms. But the Federal Government must provide the States with incentives sufficient to enable them to initiate and carry through the great changes in the financing and the distribution of educational resources without which changes our schools cannot really begin to deliver on their promises to our children.

OUR MAJOR FINDINGS

The financial problems of education derive largely from the evolving inabilities of the States to create and maintain systems that provide equal educational opportunities and quality education to all their children. Having made that observation, we hasten to state that we are not assigning blame, but are rather attempting to locate the points where reforms must be achieved. Efforts by the States over the years to eliminate or at least reduce disparities in the delivery of educational resources have simply not kept pace with needs that have grown beyond the abilities of the States to fulfill them. These disparities among school districts and among schools have been thoroughly documented for this Commission.

The relationship between cost and quality in education is exceedingly complex and difficult to document. Despite years of research by educators and economists, reliable generalizations are few and scattered. What is clear is that when parents, with the means to do so, choose their children's schools, the ones they select, whether public or private, usually cost more to operate than the school they reject. There are exceptions, of course, where costs are relatively low and parent satisfaction high, or conversely other schools where costs are high and satisfaction nonexistent. And there are numerous examples of schools where increases in per pupil costs have been accompanied by no discernible improvement in educational quality.

The conviction that class size has an important or even a measurable effect on educational quality cannot presently be supported by evidence. A review of a great body of research on the effect of class size (pupil-teacher ratios, to use a technical term) yields no evidence that smaller classes, of themselves, produce more or better education in any accepted sense. Nor, conversely, has it been shown conclusively that larger classes, of themselves, provide less or poorer education to children—and they obviously cost less.

Reason would seem to dictate that there must be fruitful ways to spend money to improve schools, to equalize educational opportunity and to produce quality education for children. The fact that research has revealed no sure means for improving schools should surprise no one. The truth is that educational research itself is only beginning to come to grips with the complexity of the total teaching and learning process.

As we examine the special difficulties that have arisen in our urban educational systems, we recognize that education is itself only one in a group of economic and social services that affect the deteriorating quality of urban life. Some city schools may be shortchanging our children, but to expect schools alone to cope with the many faults of city life is unfair and, more to the point, unrealistic.

In reviewing the plight of the nonpublic schools, we find that the most serious problems exist among these schools sponsored by Roman Catholic institutions. And despite the pressing financial problems of the Roman Catholic schools, we find that their survival does not depend totally or even mainly on the amount of money available to them.*

Encouraging more research into needs, methods, and possible solutions may seem like counseling patience to a person trapped in a burning building. That is certainly not our intention. But we do not agree with those who argue that money is the remedy for virtually all the ills of our educational system.

With all that, we recognize that money builds schools, keeps them running, pays their teachers, and, in crucial if not clearly defined ways, is essential if children are to learn. And we find that money, whatever its effects, is not being collected equitably or spent according to the needs of children. We conclude that it will be better spent when the bulk of it is raised and distributed by the States to their districts and their schools. At the same time, parents are entitled to know whether their expectations for their children are being fulfilled by their schools.

The recommendations which follow deal only with the major issues associated with our deliberations. The reports of our contractors and staff cover, in considerable detail, many additional aspects of school finance. They will be available to those who wish to obtain additional background and information. (A list of those reports appears in the Appendix to this Commission report.) We have reviewed those reports and have found much value in them. However, we have drawn our own conclusions and we offer our own recommendations. It is our hope that the implementation of these recommendations will play a vital part in restoring public confidence in American education.

RECOMMENDATIONS

1. The Preeminence of State Government in Education

Educational reform, the theme of this report, is dependent upon the exercise by the States of their constitutional responsibility to provide equal educational opportunity and quality education to all children within their boundaries. Continuing reform requires the wise use of the State's instrumentalities—the local boards of education—and the process of reform must be encouraged by the Federal Government.

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*See comment by Bishop McManus, pg. 91 of the Report.

*We recommend that each State assume responsibility for determining and raising on a statewide basis, the amount of funds required for education; for the allocation of these funds among the school districts of the State, and for the evaluation of the effective use of these funds.**

We also recommend that the local boards of education be given wide latitude, within general State guidelines, to use resources provided by the State in ways that best meet their needs and demands. This should include choosing curriculums; employing, assigning and dismissing staff; and defining local goals and objectives. Within this flexibility, local boards of education should be held accountable to local taxpayers, parents, students, and to the State.

*The Commission recommends that the Federal role in elementary and secondary education embrace the following major functions; (a) providing leadership in educational reform through research, evaluation and demonstration activities; (b) stimulating State and local public and private activity to meet national concerns and interest and, where necessary, providing continuing financial support; (c) providing incentives and mechanisms designed to more nearly equalize resources among the States for elementary and secondary education,*** *and (d) serving as a center for collection, evaluation and publication of educational data. In brief, the Commission sees the Federal Government performing a leadership and pioneering role in long-range educational policy, but only a supplementary role to the States in the financing of school capital and operating costs.****

2. Full State Funding of Elementary and Secondary Education

Significant disparities in the distribution of educational resources have developed among school districts. Though every State has made some effort over the years to reduce these disparities, the results have been only partially successful at best. That, we believe, is because the States have relied on local district financing for the bulk of educational revenues. Major structural reforms in current systems of school financing can increase the ability of the Nation to serve the educational needs of all citizens.

*The Commission recommends that State governments assume responsibility for financing substantially all of the non-Federal outlays for public elementary and secondary education, with local supplements permitted up to a level not to exceed 10 percent of the State allocations.**

The Commission further recommends that State budgetary and allocation criteria include differentials based on educational need, such as the increased costs of educating the handicapped and disadvantaged, and on variations in educational costs within various parts of a State.

To aid the States in moving toward this objective, *the Commission also recommends a general purpose Federal incentive grant that would reimburse States for part of the costs of raising the State's share of total State and local educational outlays above the previous year's percentage. This would be contingent on the submission by a State of a plan for achievement of full State funding over a reasonable period of time.*

Full State funding will provide each State with a greater opportunity to achieve these hitherto elusive goals of equal educational opportunity and quality education.

3. Strengthening State Administration of Education

If State governments are to assume their proper responsibilities for education, most of them urgently need to improve their present capabilities in educational planning, policy development, administration and evaluation. These improvements should extend to both their legislative and executive branches.

No single administrative arrangement would meet the needs of all State governments in the field of education. However, in most States, boards of education and chief State school officers should have more clearly defined relationships with their respective Governors and legislatures.

The future role of State departments of education will undoubtedly require strong leadership and action oriented to serving the needs of school districts.

Inasmuch as many of the recommendations made in this report require a strong State role in education, *we recommend that Governors and legislatures take rigorous steps to strengthen the organization and staff of the education*

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*See comments by Bishop McManus, Ivan Zylstra, and Norman Francis, pgs. 91 and 92.

**See comments by Neil McElroy and John Fischer, pgs. 93 and 94.

***See comment by Bishop McManus, pg. 95.

*See comment by John Davis, pg. 95.

*related components of their executive and legislative branches. What every State must do will vary, but it is imperative that every State act.**

*The Commission further recommends that, in light of the primary responsibility of the State for financing education, and in conjunction with our recommendation for full State funding, Federal educational aid funds should flow through the States, usually through State educational agencies. However, where a State is unable or unwilling to participate in a particular program, Federal funds for that program in that State should be channeled directly to the districts or other agencies involved.***

4. Saving the Inner City Schools

This Commission recognizes the enormity of the problems of urban decay. To define them in terms of education alone would be to overlook their many other social, economic, and historical sources. The big cities of the Nation are rapidly being left to the poor and the untrained. Whatever the causes of this concentration of human problems in cities, the solutions are surely more than local or even State matters. We urge that the situation demands strenuous effort now and a major part of that effort must be made through education.

We urge that the State governments assign a high priority to the critical problems of their major cities and especially to the schools of their cities. Education deficiencies are more concentrated within the cities and the educational opportunity gap between them and their suburban neighbors must be narrowed.

The Federal Government must assist the States in this area. We must learn why past efforts have not worked, and more important, just what will work.

*The Commission recommends the initiation by the Federal Government of an Urban Educational Assistance Program designed to provide emergency financial aid on a matching basis over a period of at least 5 years, to help large central city public and nonpublic schools finance such programs as: (a) development of experimental and demonstration projects on urban educational problems; (b) replacement or renovation of unsafe, unsanitary or antiquated school buildings and equipment; (c) addition of remedial bilingual, and special teachers and other professional personnel; (d) addition of teacher aides, and other supporting personnel; and (e) provision of instructional materials and services. Grant funds should not be used to increase salary or wage rates of school personnel.****

The Commission recommends that States encourage and assist local education agencies, especially those in larger urban centers, in creating community schools which would include such elements as (a) close liaison with and involvement of parents and other citizens in the educational community; (b) extended availability—nights, weekends, and summers—of school facilities for use of youth and adults in educational, recreational, and other neighborhood activities; (c) cooperation with other community social agencies; (d) recruitment and use of community volunteers as classroom aides, hall monitors, library and clerical workers, and for other appropriate duties.

The Commission recommends that State and local education agencies authorize and encourage the provision of suitable support services and other incentives to attract qualified teachers who understand the special needs of those schools where educational achievement is lowest.

5. Toward Early Childhood Education

There exists today a clear and discernible movement throughout the country toward early childhood education. Public and private agencies are providing an increasing number of programs of preschool education and today 82 percent of the 5-year-old and 29 percent of the 4-year-old populations are enrolled in such programs. However, only 47 percent of 5-year-olds and 20 percent of 4-year-old children from low-income families are now receiving some form of preschool training.

The provision of some form of regular education beginning at age 4 offers significant promise for improving the subsequent educational attainment of children, and particularly for disadvantaged children.

This Commission recommends that the State, local school districts and nonpublic agencies continue to move towards the adoption of programs of early childhood education commencing at age 4 and that the Federal Government provide incentives for this purpose.

A distinction must be made between education at age 4 and day care or other preschool activities. There is a wide variety of the latter sponsored by both private and public organizations. Day care centers can be a valuable aid to the intellectual, social, and emotional development of children, particularly if they include an educational component as part of their program.

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*See comment by Bishop McManus, p. 95.

**See comment by Bishop McManus, pg. 96.

***See two comments by John Davis, pg. 96.

We believe that the Federal Government should encourage the development of early childhood education programs for all children and that financial assistance should be provided for children from low-income families. For those children from families in middle or higher income levels, arrangements should be made to enable them to participate on a shared-cost basis. If day care centers are made available in disadvantaged areas, we urge that an educational component be incorporated in their programs.

In addition to providing general-purpose funds to the States as an incentive for moving toward full State funding, *we recommend that the Federal Government contribute part of the costs of a program to (a) assist public and private agencies in the operation of early childhood education programs that include disadvantaged children; (b) sponsor demonstration projects; (c) aid in the development of curriculums specifically designed for these children; and (d) disseminate the results of effective programs throughout the country.*

6. The Public Interest in Nonpublic Education

The legal responsibility for educating this and future generations of American youth will continue to rest with our institutions of public education; however, the Commission is also firmly convinced that private schools, both church and non-church related, also serve the public interest.

Nonpublic schools offer an alternative to public schools that is clearly desired by many people. They offer diversity and healthy competition. From the financing standpoint, they reduce the financial burden on public school systems by providing educational resources for some 10 percent of the Nation's student population.

A substantial decline has taken place in the enrollment in nonpublic schools, especially those which are church related. The reasons are more than simply financial; however, the financial problem in many of these schools is critical.

In considering what forms of financial aid to nonpublic schools might be recommended by the Commission, the restraints placed on such aid by Court decisions in interpreting provisions of the Constitution, especially to the church related schools, have greatly limited the available options.

*The Commission recommends that local, State and Federal funds be used to provide, where constitutionally permissible, public benefits for nonpublic school children, e.g., nutritional services such as breakfast and lunch, health services and examinations, transportation to and from school, loans of publicly owned textbooks and library resources, psychological testing, therapeutic and remedial services and other allowable "child benefit" services.**

Aware that the provision of child benefit services alone will not make a substantial contribution toward the solution of the nonpublic schools' financial crisis, *the Commission further recommends that governmental agencies promptly and seriously consider additional and more substantive forms of assistance, e.g., (1) tax credits, (2) tax deductions for tuition, (3) tuition reimbursement, (4) scholarship aid based on need, and (5) equitable sharing in any new federally supported assistance programs.***

We believe that any aid to private schools must be conditioned upon the following elements: (1) equitable treatment of various income classes of parents, with special concern for low income, private school patrons in the larger inner cities; (2) full compliance with Title VI of the Civil Rights Act of 1964; and (3) accountability to the public in providing full information concerning enrollment, governance, pupil achievement, and expenditure data.

Evidence is inconclusive in regard to the amount of program participation that nonpublic school children are receiving under Federal education programs for which they are legally entitled. The Commission urges that the Federal Government take action to guarantee to nonpublic school children equitable participation in all Federal programs for which they are eligible. Though these programs would continue to be administered through public school systems, such action would insure that all eligible children attending nonpublic schools participate in federally aided programs.

7. Making the Educational System Accountable

At a time when the demand for public revenues for all types of services far exceeds the available supply, education officials have the dual obligation to use available resources in ways that produce the best possible results and to account to the public for their decisions and the results obtained. Such accountability requires more knowledge of the educational process than is currently available and better communication to parents, teachers and the public of the results of children's experiences in schools.

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*See comment by Bishop McManus, pg. 96.
**See comment by Neil McElroy, pg. 97.

While fully recognizing the intangible nature of many aspects of education, the Commission urges State and local educational agencies to give increased emphasis to establishing and improving systems of assessing relative costs and benefits of various educational porgrams and organizational alternatives.

There is a need for more effective standards and procedures for measuring the performance of our educational systems, and in particular, the qualitative results of school programs. We have been concentrating for too long on the resources going into the schools, giving only minimal attention to the outcomes. The American public has assumed almost without question that educational benefits are automatically increased by spending more money. This is particularly the case in regard to the number of children per teacher in a classroom. The relationship of class size to educational achievement is open to serious question. Research has shown no consistent relationship between class size and pupil achievement in learning as measured by standardized tests such as reading and mathematics. There is, however, wide agreement that when a class is too large for the purpose at hand, the teacher is overburdened, discipline problems increase and pupils may not be provided the individual attention they require.

We therefore urge that policymakers, school officials and leaders of professional organizations refrain from the simplistic assumption that reducing pupil/staff ratios will necessarily produce better education. Under some conditions it may well be possible to increase the number of pupils per staff member with no adverse educational effect, but with significant economic gains.

The Commission recommends that State governments establish statewide evaluation systems to measure the effectiveness of educational programs. These systems should include improved techniques for measuring progress and achievement in school as well as the ability of secondary school graduates to perform effectively in productive jobs or succeed in schools of higher education.

New and better methods are being developed to measure not only the acquisition of knowledge and skills, but also broader understandings and changes in attitudes. By combining such techniques with traditional achievement tests and other existing measurement instruments, it is becoming possible to report more accurately to parents and the public on the progress being made in improving the education of pupils.

*The Commission also recommends that each State, in cooperation with local school districts, systematically provide for publication and other appropriate communication to the public of the results of the assessments of achievement and improvement in education. These results should be presented on a comparative basis in relation to school, district, State, and national norms, and for such grade levels and subjects as the State may determine.**

8. Relating Education to Career Needs

The Commission sees, as a serious inadequacy of educational planning at national and State levels, the failure to relate curriculum and counseling to long-range employment opportunities.

Too many of our citizens, political leaders and educators have defined adequate education largely in terms of preparation for and admission to institutions of higher learning. In so doing, they have neglected the educational needs of those who do not wish to go that route, as well as those who enter but do not finish college. Today, roughly 40 percent of those who graduate from high school do not go on to higher education.

As a consequence, many young people leave high school poorly prepared to offer any productive skills to prospective employers. In good part, this is the result of improper counseling or no training for employment. Vocational education, long the stepchild of the educational community, has generally been avoided by pupils and parents because of the low esteem in which it has been held. The lack of interest for such training has resulted in a corresponding lack of attention by educators.

Corrective action in this area must be taken both within educational institutions and through community groups. Schools should provide opportunity for career education and parents and community leaders should give active support and encouragement to such efforts and programs.

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*See comment by John Davis, pg. 97.

*The Commission recommends that career education be given priority and status at least equal to that now accorded to college preparation and that Federal, State and local government and their education agencies take rigorous policy and financial steps in this direction.**

9. Creating School Districts with Balanced Resources

Today there are some 17,500 school districts in the United States, even though the number has been reduced substantially in the past several years. As the States implement recommendations for full State funding and more equitable distribution of educational resources, it becomes evident that further reorganization of school districts can facilitate the process.

In any reorganization of school districts two prime considerations should be taken into account. First is the attainment of diversity in the school population. The most important resource of any district is the people who are served. Economic or ethnic isolation of children reduces the ability of school systems to provide equal educational opportunity and quality education. Secondly, each district should be large enough to encompass to the extent possible a distribution of wealth comparable to that of the State as a whole. This would reduce disparities and make more economical the provision of specialized educational programs. At the same time, each school district should be divisible into organizational units sufficiently small and close to the people to enable each to be responsive to local needs and interests.

We recommend that States reorganize their school districts to encompass within each one, wherever possible, children of diverse economic, racial and social backgrounds. Other criteria for consideration in establishing school districts are a more equal tax base for local supplementation of State funding; the capability of offering all levels of schooling from kindergarten to high school as well as special educational programs for handicapped, for vocational purposes and for other special needs; boundaries that would facilitate cooperation with agencies providing health, welfare, and school-associated services, and administrative economics.

10. Exploring Innovations and New Alternatives

Despite the vast amount of research into the nature and processes of education, we remain sadly deficient in our understanding of how children learn, what methods work best, what combination of resources is most appropriate for any group of children, or even how best to prepare teachers to use the knowledge and skills that are available. But every segment of education is maintaining continuous efforts to learn more about the art and science of the field.

Without access to ultimate answers, we believe that the greatest hope for education lies with encouraging diversity in educational offerings by public and private interests, within the realistic limits of available resources.

In the pursuit of these answers, we must not limit our examination to the institutional systems which now provide education to the vast majority of the Nation's children. Quite often, change is brought about by external groups, unsatisfied with the status quo and earnestly desiring new and different methods and procedures for educating children.

Inherent in the process of experimentation in education is the length of time required for assessing its results. It is unfair and unrealistic to expect immediate results from most educational innovations. Improvements in attitude and motivation of children toward learning can be obscured by the premature assessment of results under the pressure of budget considerations. Sufficient time should be permitted for new approaches in education, depending on the circumstances, before final judgment regarding their effectiveness is made.

Several innovative or experimental concepts are now being considered in many parts of the country. Some have been attempted and are now operating. This Commission has reviewed many of them including a variety of applications of instructional technology, experimental schools, year-round schools, paired schools, differentiated staffing plans, community schools, voucher plans, and performance contracting. All of these, as well as other promising innovations, should be given a fair and reasonable opportunity to demonstrate their effectiveness.

We recommend that Federal, State and local governments and their educational agencies stimulate and finance experimentation in elementary and second-

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*See comment by John Davis pg. 97.

ary education. This should include experiments both within and outside of the institutional systems now responsible for public education.

Innovation is not limited to educational practices or methods. It also includes alternative choices of selecting, educating and certifying individuals to teach in the schools. Much is heard from education officials about the problems of poor teacher preparation as well as the difficulties in reassigning tenured teachers. Current certification practices can prohibit otherwise well-qualified individuals who lack certain credentials from teaching in schools. We believe that great strides have been taken in this area, but introducing new procedures into current practice is excessively delayed by system rigidities.

The purpose of certification should be to make possible the employment in the schools of persons with wide varieties of talents and skills, but also to protect the schools, pupils and the public from professional incompetence.

We recommend that States reexamine their policies and procedures regarding the selection, education, and certification of persons in the education professions with the objective of encouraging the entry into the professions of those people who are uniquely qualified to teach or administer schools and school districts.

The Commission believes that reductions should be made in the number of incompetent teachers in ways that are fair and generous to the individuals concerned and that respect due process. This is one of the most critical and difficult imperatives facing public education today.

We recommend that each State give consideration to the development of appropriate plans for dealing with the problems of less able teachers, including such possibilities as early retirement (at the option of school authorities) with appropriate financial incentives, periodic review and renewal of tenure, peer review of teacher performance, and use of student evaluations, among others. We also recommend intensive research in these areas.

II. Asserting the National Interest in Education

The reforms that have already been recommended place a heavy reliance on State government initiative. The reasons should be obvious. The choice of tax and revenue systems, the allocation of money among school districts, the policies and procedures related to the organization and operation of districts, as well as the many related considerations, are clearly within the jurisdiction of the States. If changes are to be made, the States must make them.

The Federal Government, however, can greatly facilitate the reforms which we consider essential. In recognition of the financial and political constraints on the States, we have recommended considerable increases in Federal outlays. But we have seen the need to tie these outlays to reform. More money, of itself, will not produce the reforms we believe to be in the national interest. In the process of reform, however, there must be a continuous reaffirmation of confidence in American education.

In addition to the financial incentives previously recommended, the Commission offers the following additional recommendations:

A. *Creation of a National Educational Policy Development Council*

The work of this Commission and similar groups has highlighted the need for a continuous and concerted approach to the study of national policies in education. National needs and goals should be clarified through a combination of local, State, and national interests and set forth from time to time at the Federal level. The President's influence on educational policy has increased markedly in recent decades and his role is likely to expand further in the future. To assist him in dealing with issues of national educational policy and to give appropriate visibility to education as a fundamental interest of the Nation and its people, we propose the establishment of a National Educational Policy Development Council.

*The Commission recommends the establishment of a National Educational Policy Development Council, with membership drawn from the broad spectrum of American society, to advise the President on national educational policy; to assess the relationship between education and major social, cultural and economic problems; and to give continuing attention to education as a fundamental national concern. The scope of this council should include all levels and types of education.**

B. *Concentration of Funds for Low-Income Children*

The single largest educational assistance program now being administered by the Federal Government provides approximately $1.3 billion for the educa-

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*See comment by David Kurtzman, pg. 98.

tion of economically deprived children. In the allocation of these funds among
the States and counties of the country, equal support is provided for equal
numbers of those children, wherever they attend school. This results in distrilar-
ing these funds to counties without regard to the percentage of low-income chil-
dren in the total enrollment. A greater proportion of low-income students in a
school requires more special services and other resources than does a smaller
proportion of these students, but current allocation procedures do not provide
for this.

We believe that this program would be greatly strengthened if funds were dis-
tributed on a weighted basis, taking account of relative concentration. Rural
areas of the country have the greatest concentration of low-income children, and
would gain additional funds by this approach.

The Commission recommends that funds now being provided to States and local
school systems for the education of children from low-income families be allocated
according to the relative concentration of these children within school systems.

C. Timely Appropriation of Federal Funds

Federal financial aid to elementary and secondary education has become an
integral part of local and State operating programs. Though intended as specific
categorical grants, these funds have been used to expand general school programs
to pay teachers, and buy supporting services and supplies. Schools have become
dependent on these Federal funds for basic parts of their total programs.

State and local agencies start planning for the next school year sometime in
the spring. At that time, planners need to know how much and what kind of Fed-
eral funds will be available. Individual programs that suddenly stop and late
appropriations make planning a difficult and haphazard operation. We believe
that the Federal Government could alleviate part of this problem by assuring
local and State officials that they would receive a minimal, continuing flow of
previously authorized Federal funds.

The Commission recommends that legislation be enacted that would insure to
State and local school systems, in event of delays in Federal appropriations,
80 percent of the funds provided in the previous year which have been authorized
for the current year.

In addition to the above recommendations for Federal Government actions, the
Commission considers that the following pending programs would greatly fa-
cilitate the implementation of recommendations included in this report:

Emergency School Assistance.—School systems throughout the Nation are at-
tempting to bring about a more heterogeneous mix of students from differing
social, economic and ethnic backgrounds. We believe that equal educational oppor-
tunity is enhanced in such a student body. But achieving it is a costly activity
and, in many instances, it is difficult for the States to finance. The funds that
would be provided by the pending program would make a substantial difference.

Special Educational Revenue Sharing.—The consolidation of many categorical
aid programs, with limited transferability among them, will greatly relieve the
administrative burden now imposed on State and local officials as well as increase
flexibility in the use of these funds. The additional Federal funds proposed beyond
this consolidation clearly indicate the Federal concern for education. We support,
as part of this proposed program, the modified distribution of funds for federally
impacted areas. A significant portion of these funds is currently going to school
districts which, on a comparative basis, need them the least. State educational
agencies should be given the opportunity to use these funds in districts of
greatest need.

General Revenue Sharing and Welfare Reform.—We have reviewed these pro-
posals only in regard to their effect on school finance. By sharing a percentage of
the annual Federal tax base on an unrestricted basis, general revenue sharing
significantly improves the fiscal situation of State and local general governments.
We support the concept of general revenue sharing because it will allow the States
to assume their proper financial responsibility with regard to education in a man-
ner that allows more flexibility than has been the case with Federal grants-in-aid.

The proposal for national reform of our welfare system will also provide fiscal
relief to State and local governments. It will also help the States to assume their
proper role in financing education.

The Nation Institute of Education.—Leadership in research is a significant
aspect of the Federal role in education. Seriously neglected in the past, such
leadership is now imperative. We must know more about how children learn,
how technology influences learning, how new modes of providing education can be

adapted, how to improve communication between teacher and student, and much more. The NIE, separated from operational activities and staffed with professional researchers, offers a new opportunity to improve our knowledge of the educational process in all of its dimensions.

CONCLUDING COMMENTS

The Commission began this report by asserting that for millions of children American education—both public and nonpublic—is not working as it was intended to work. It was for that very reason that the President of the United States established this Commission, to determine why it wasn't working, and to recommend a course of action that could make it work.

Yet it must be repeatedly recognized that despite its difficulties, the present educational system is basically sound. What is needed is not its rejection but its improvement. The schools of this Nation have served America well. The capacity of American people not only to build a strong Nation but to criticize and alter the institutions of this Nation is among the precious products of American schools and colleges.

As we seek to strengthen those schools for the new tasks laid upon them in recent decades, we must alter many parts of our American educational structure but as we rebuild, we shall do well to protect its foundations, if they are solid.

This country has reached unparalleled heights in its economic and social development—due, in good part, to our educational system. Our public and nonpublic schools have served the majority of Americans well and are continuing to do so. The fact that many, too many, have not enjoyed the benefits to which they are entitled, should not be generalized into an indictment of the total system. It is a well recognized flaw that must be corrected by constructive and deliberative measures, not by divisive mandates.

The Commission recognizes that education, by itself, cannot be expected to solve the many problems now being faced by the American public. Housing, health care, welfare, economic stability, fair employment practices, and many other such considerations, impact heavily upon the well being of the Nation. Offering all citizens equal educational opportunity is essentially a base starting point, a beginning, that prepares an individual for a productive life. It does not guarantee anything else. Further action in many other areas of public concern is necessary, if a balanced approach to the strengthening of American society is to take place. But no yardstick is available to tell us how the Nation's resources are to be divided amongst all public functions.

Priorities are difficult to establish. To a sick person, one hundred dollars of health care is much more necessary than a gymnasium in the local school; to a person living in a slum, adequate housing is infinitely more necessary than another career counselor; and the analogies are endless. We can only state that this Commission has not been oblivious to the critical needs of public functions other than education.

We have offered many recommendations for reform of the educational system, with primary emphasis on its financing. We are not unaware that these reforms, if implemented, will have an effect on virtually all the people of this country, be they taxpayers, parents, students, or government officials. We do not doubt that these reforms will be controversial. They will be challenged and debated. This is as it should be. No single set of recommendations can be applied to all situations and circumstances. But if they can productively contribute to a national dialog on one of the most pressing problems of the day, this Commission will have served its purpose.*

Mr. KARSH. Shall I summarize the statement or read it?

Mr. HAWKINS. We have a time limit; so you decide what you would like to do.

Mr. KARSH. I can read a little and summarize a little.

I would like to say first Mr. McElroy, the chairman of the President's Commission on School Finance, sends his regrets that he cannot be here; he is ill; he is under the doctor's advice not to attend any outside activities other than care for his immediate health and sends his regrets. He would like to have been here, sir.

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*See comment by Clarence Walton, p. 98.

Mr. HAWKINS. All right; thank you.

Mr. KARSH. The opening statement that has been prepared for Mr. McElroy's delivery deals essentially with the manner in which the Commission went about its deliberations and work. We made every effort within the Commission to obtain the widest range of interests, the widest range of opinions, attitudes, and research findings that would help in the deliberations of the Commission.

It was a rather extensive effort to do this. I believe that we have benefited greatly by having the wealth of work that had already preceded the work of this Commission dealing with school finance.

I think it is important also to make known the fact that while this President's commission was established by Executive Order 11513 on March 3, 1970, it was also operating under a congressional mandate of April 13, 1970, Public Law 91-230, entitled "Amendments to Elementary and Secondary Education Act of 1965," and contained a provision for the Commissioner of Education to establish a national commission on school finance to study and report to him and the Congress on the problems of financing elementary and secondary education.

Because the tasks under both authorities were virtually identical, the Commission served both authorities. There were 18 members of the Commission, and a full listing of the membership is included at the end of this statement.

I believe it is pertinent to explain to you just how the Commission operated. We felt, from the very beginning, that an examination of school finance had to be built upon an understanding of what education or, more importantly, what quality education meant. We had to establish, for our purposes, a working definition of quality education and equal educational opportunity in order that we could then see how financial implications could be determined.

This was not an easy task, and we spent a considerable amount of time on it. The result of that effort is expressed in our final report, starting on page 14.

A major consideration of the Commission was also the identification of where, in the American system of government, any major reforms in the financing of education could be implemented. It became readily apparent there was such a focal point but that the history of American education had been such as to make this focal point obscure.

That critical point, Mr. Chairman and members of this committee, is clearly, in the opinion of this Commission, at the State level of government. This is not to minimize the role of the local school districts nor the Federal Government. Each must play a vital role in improving our educational system. But when we think of the many complex facets of school finance and relate them to the objectives of quality education and equal educational opportunity, we believe most strongly that State government must play the key role in bringing about any major revision or restructuring of the current system of raising and allocating money for schools.

Much research has been done in this area of school finance, and many discussions, studies, and hearings related to education have already taken place and did take place certainly over the last several years before the Commission was established.

We had first to inform ourselves most thoroughly of where, as a Nation, we were in our search for national direction. That we attempted to do and, in the process, we caused to be brought together a substantial body of opinion and knowledge relating to practically every phase of elementary and secondary education in this country.

Since the financing of education affects many institutions in our society, we attempted to engage and involve as many as possible. An announcement in the Federal Register—the bulletin board of the Federal Government—outlined the Commission's program and invited any interested organization in the Nation to express its views on our work. Then, to insure against the possibility that some might not have seen this invitation, we approached more than 30 professional, religious and civic organizations and invited them to submit statements and to meet with Commission members. Most did submit statements, and many sent representatives to the Commission.

The Commission, as another aspect of its work, outlined the basic issues confronting the school finance dilemma. These issues and a series of alternative policy recommendations which might be made by the Commission were submitted to a group of distinguished consultants representing the broadest possible range of opinion. They were asked to comment on the perceived issues and possible policy recommendations and to add other recommendations they considered effective alternatives.

At the same time, the Commission initiated the necessary studies by academic institutions, independent research organizations, Government agencies, educational consultants, and the Commission staff to place into perspective the pertinent information and data that would help in arriving at recommended policies.

In so doing, particular attention was given to the work that had already been done to insure that there would not be any duplication of effort.

Mr. Chairman, that is how we went about our work, with no preconceived conclusions as to how our final recommendations would come out but with open minds and a sincere desire to learn the nature of the problems, their causes, and their possible solutions.

I have not elaborated on any of the Commission's recommendations in this opening statement. They are many and they are varied. I believe these recommendations can best be discussed in answers to your specific questions. However, I would like to conclude my statement by saying any solution to the pressing problems of school finance must take into account that there is no single prescription which can be made to fit the needs of all 50 States and 17,500 local school districts.

While it is possible to reach general agreement on objectives and aspirations, the practical considerations of tax policies, intragovernmental and intergovernmental relations, local control and operations of the schools, priorities among all public functions, and a host of other considerations require that the States and local school districts be given the widest latitude in determining how these objectives and aspirations are to be attained.

Mr. Chairman, Dr. Pierce is prepared to summarize some of the findings of the report itself or we can answer any specific questions that you or your colleagues would have.

Mr. HAWKINS. Mr. Pierce, you may continue and in your remarks, I wish you would deal somewhat with the definition that you have given to equality of education and quality of education. I think that is suggested at the beginning of your studies and these two definitions were made. I think it would be helpful to find out how these concepts were related to school financing.

Mr. PIERCE. Thank you.

I apologize for not having a prepared statement, but we really didn't learn of Mr. McElroy's inability to be here until this morning, so I really couldn't get anything prepared.

I would like to introduce it by pointing out in the first page of the introduction to the report, it says: For millions of children, American education, both public and nonpublic, is not working as it was intended to work.

Having stated this, this Commission hastened to point out that for many millions of others the educational system has worked remarkably well. Despite the manyfold problems which today beset our society, it is clear that our phenomenal progress as a nation is due largely to the success of our schools.

Then we go on to point out that what we have attempted to identify here, since it is a Commission looking into the future of education, is what these problems are and how some of them can be met. Because we are attempting to analyze the problems, we do not belabor the successes in the field of education.

As you look at the report, the one thing you will note is that there is a recommendation of a need for reform in the field of education. This is based upon, of course, our analysis of what the problems are. Mr. Karsh has already mentioned the pre-eminence of the State in the field of education, and we have a series of recommendations which are dealt with there—preeminence in financing also, and we recommend full State funding or more nearly full State funding. You will note that recommendation there.

We recommend also the strengthening of the State's administration of education. This is not concentrated entirely on the State agency which administers education but we also focus on the necessity of the Governor and the legislature to do something—the legislative committees that deal with education—to strengthen their ability to get background for their policy decisions.

We recognize in this statement the fundamental decisions that determine what happens within a State rest largely in the political arena, not so much in the educator-oriented type of position.

We also emphasize the necessity for the States to look at the organization of school districts, and we recommend the creation of school districts that have as balanced resources as is possible, and that they should be reorganized in such a way as to make for the most effective and efficient administration and operation of schools.

Mr. BELL. Excuse me, Mr. Chairman. May I ask this question: On State balance, do you mean economically balanced?

Mr. PIERCE. Yes, and racially, where this can be done.

Mr. BELL. Do you have ratios of poverty, say, and modern affluence together in each district to make it possible?

Mr. PIERCE. Yes. And, as you know, it is practically impossible in some places, but there are many areas where it could be done where there are contiguous school districts with great variation in wealth.

Mr. BELL. I would think that would be a virtue but wouldn't be possible in some parts of Los Angeles.

Mr. Pierce. Well, it would be possible in many places. What we are emphasizing, Congressman, is: There are many places where it could be done but where nothing has been done.

Mr. Hawkins. If you are recommending this because of the educational value obtained from it, are you saying, therefore, that its value should not be obtained if it is not geographically feasible to do so and you would not suggest any other way of doing it?

Mr. Pierce. Yes, we have other things.

Mr. Hawkins. In certain areas it is very limited, and I would assume where racially and economically you just can't mix people.

Mr. Pierce. That is correct. We recognize that, but what we say is: There are many places where it could be done.

Mr. Hawkins. What about places where it can't be done? Are they to be denied—I assume—your definition of quality education?

Mr. Pierce. No. I don't think that would necessarily follow. I think other approaches would have to be made since districting would not solve the problem.

Mr. Hawkins. What other approaches did you consider or recommend?

Mr. Karsh. I would like to make a statement in regard to that particular recommendation. All of these recommendations were attempted to be balanced, one to the other, so there would be a common threat running all through them. The recommendation that we are talking about now on the reorganizing of school districts ties also very closely to the recommendation of the full State funding. We felt that the arrangement of school districts is a very necessary component when, in fact, a full State funding or substantially full State funding program was adopted.

Very simply, we are recommending that school districts be allowed to contribute somewhat above the State allocation under such a program, an amount that we have arbitrarily chosen at 10 percent. In order to equalize that 10 percent, the economic implications of school districts has a strong bearing to play. So, much of the emphasis on the redistricting dealt with the economies.

The other aspect of the redistricting dealt with equal educational opportunities that Dr. Pierce was talking to, and it is really more of a part of a comprehensive role rather than a limited recommendation in and of itself.

Mr. Hawkins. Suppose we let Mr. Pierce continue. I think we interrupted him.

Mr. Pierce. That is perfectly all right.

The third point under the preeminence of the State is the leadership which is furnished at the State level in innovative and new alternatives in the field of education. As you know, in many States, the limitation of function of State education agencies has been very great. They have not had the initiative in terms of innovative and new alternatives.

Lastly, we call upon them to develop systems of accountability and assessment to determine the effectiveness of the educational program in the State and in the districts which serve that State.

We recommend in general three particular emphases in the field of curriculum, early childhood education, career education, and a strengthening of teacher education. We identify State and national issues to which we think attention ought to be directed, such as the inner city schools and the sparse areas, and recommend a specific financial consideration of those.

We also review the public interest in nonpublic schools, and we call for reform in terms of rules among the local, State, and Federal governments.

In addition to that, we also talk about the national interest or the Federal interest in education and point out that we would urge the Federal Government to consider creation of a national educational policy development council, that we concentrate funds on low-income children, and that we look at the timeliness of the appropriation of Federal funds—the way they are administered and released to the school districts.

Now, you made reference to the quality and equal educational section of this. If you look at—and I don't know if you have a copy of the President's report—but on page 14, we have quality and equality in education and a subcommittee of the Commission devoted many, many hours to this particular statement. We used some of the best minds we have in the country, not only in the field of education but other disciplines, to review this statement.

The only reasonable and defensible public policy for communities, States, and the Nation is to insure to all children equal access to education that is good enough to meet their individual needs and collective demands of a growing economy and democratic society.

Then we go on to define equality of educational opportunity and quality education in these statements. I would pick out, under "quality education," this remark: In schools where children are encouraged and guided toward healthy and useful maturity, the people, the purposes, and the procedures reflect certain common characteristics.

Then you see them listed on page 16 of the report. I don't think I need to read those. You can glance at those in that list.

Then, quality education should lend itself to substantive evaluation, and that is on page 17, and it should include components or criteria which, for the most part, can be identified, observed, and measured. While no single listing of such components can be assumed all-inclusive or applicable to all situations, the following are believed generally appropriate and constitute the basis upon which certain findings and projections relating to school costs can be made, and we list a series, going over onto page 18.

It is based upon these criteria, then, that the statements which I have made relative to the overall recommendations, really follow, because this is the base against which we compared what we were attempting to accomplish.

I think that would summarize basically the recommendations of the report. The substance of the report, as you will note, and the recommendations, have dissents. You will notice there is considerable difference of opinion on many issues in this particular case. For instance, in the pre-eminence of the State, there were those who felt the preeminence rests with the parent and so on, and you can observe this as you look through it.

I think it would be wise, Mr. Karsh, if you would sort of summarize the money side of it.

Mr. KARSH. All right, sir. The money side of it is most closely associated, of course, with a full State funding recommendation. We felt here that the two aspects of full State funding each had to be addressed separately: The raising of revenues and the distribution of those revenues once raised. We spoke to the need to move from a local source of funding, predominantly today the local property tax, to State sources of funding, a combination of property taxes, sales taxes, income taxes, or whatever the States themselves chose to apply or to place emphasis upon.

In terms of the allocation of funds, we spoke to this.

Mr. Quie. Before you go from that, I thought you recommended 10 percent local sharing.

Mr. Karsh. Yes; I was going to get to it.

Mr. Quie. Full State funding, then, does not assume 100 percent funding?

Mr. Karsh. Right, but it is predominantly full State. We are talking about, in essence, 100-percent State plus an optional 10-percent local rather than 90-percent State and 10-percent local. Federal funds would be strictly everything on top of that.

The allocation of the resources from the State level, we felt, had to be directly associated with two key aspects. One, the differences in costs around the State, and two, an index based on educational need. It is obvious, of course, there are differences in center cities, metropolitan areas, and rural areas, and that the same educational program would cost varying amounts in each of those kinds of areas within the States. That was a very definite recommendation that the Commission fostered and pushed.

Secondly, an index based on educational need, which, we felt, was considerably more difficult to define, but on which some work had already been done by the national education finance project in Florida, which operated under an Office of Education grant, which did some excellent work there.

The combination of these two, we felt, should serve the major basis for distribution of State funds.

Then we had one Commission recommendation that the localities or local school districts be permitted to supplement these State funds, if desired, by a level of not more than 10 percent. We made a point that no school district should be reduced from the current level of spending in the transitional process.

To help this along, recognizing that there would be considerable difficulty, financial difficulty, all over, we have recommended that the Federal Government provide an incentive grant to the States to move in this direction, at a grant that we estimate would be required in the amount of $4 billion to $5 billion over a 5-year period, because we felt it would be a phased rather than overnight shift from local and State funding or predominantly full State funding.

So we have, in the full State funding recommendation, an incentive grant of about $4 billion to $5 billion, or $1 billion a year roughly.

In the urban education program, we have recommended at least $1 billion also over a 5-year period, to be matched by the State with $250 million, or $1 of State money for every $4 of Federal money. We have recommended $250 million annually to expand the work that is being conducted today in early childhood education.

So we are talking there about approximately $2½ billion annually of additional Federal money.

Coupled very closely to these recommendations for additional fundings are programs that are currently being recommended and are being considered in the Congress today: The Emergency Assistance Act of another $1.5 billion; the welfare reform, which will also provide additional funds to States should the Federal Government absorb or take over some of the costs; and also general revenue sharing, which would also provide additional funds to the States for whatever purposes may be permitted within such a program.

But, in total, the specific recommendations of approximately $2½ billion annually and endorsements of programs that are currently being considered today would result in a dollar figure of approximately $5 billion annually that would accrue to education around the country.

Mr. Hawkins. Mr. Karsh, I don't understand the approach as reported by the Commission where you indicate an idea of full State funding which certainly differs from almost every other report that has been made and recommended, greater assumption by the Federal Government of the cost, ranging as high as 32 percent, I think, in one instance. It just seems to me, first of all, there are some impracticalities involved in this.

How do you propose, for example, to provide quality education that is outlined on page 16 of this report and, at the same time, the equalizing of educational opportunities among the States as between, say, Mississippi, on the one hand, and New York, on the other?

Mr. Karsh. Well, we have this situation.

Mr. Hawkins. On the basis you have the main assumption of the cost by the State itself.

Mr. Karsh. Mr. Chairman, let me answer it this way: The basic need, as this Commission saw it, in the financing of education, was reform in the manner in which funds were both collected today and distributed. We felt that the effort of the Federal Government should be directed toward bringing about these reforms; that if, in fact, we wanted to have the quality education and equal educational opportunity that was spelled out, today's mechanism worked against it, did not permit it.

The investment to do the kinds of things even you were mentioning would be fantastic, on the one hand, and, more than that, it would be almost an administrative nightmare to try to do it. We felt that a more simplified—well, I should not say "we" alone but I should say it has essentially been the consensus of many people doing research in the area who have examined school finances, to move or recommend a move toward greater State funding; that when, in fact, funds available for education are more concentrated, those concentrations of funds lend themselves to a more rational distribution, that, in fact, as funds are currently raised and available for education, the imbalances and the disparities in wealth create the kind of situation we are all, trying to overcome. The move toward a different way of collecting and distributing funds would advance the move towards bringing about quality education.

Now, you did also speak to the interstate equalization in your question. I would like to say only it was recommended that that would be a role of the Federal Government but that the critical need today was the intrastate equalization that had to take place because it was significantly greater than the disparities in education among the States.

Within the States, we have a much more difficult situation in terms of wealth, both available and actually being spent, among the school districts.

Mr. Hawkins. I see that. I think that is a major problem from the viewpoint of the Federal role. It is certainly going to be a problem in terms of equalizing the educational opportunities in this country between the States of low income and the more advantaged ones. It just seems to me your approach completely falls down when it comes to equalizing on that.

I quite agree that reform—certainly the money alone is not the problem but it is a part of the problem.

Mr. Bell. Did I understand you clearly to say that you are working on the problem that Mr. Hawkins is complaining about but you had recognized there is a considerable distance to go because of the past situation? Is that what you say?

Mr. Karsh. That is absolutely right.

Mr. Pierce. If I may give you a figure we weighed very carefully, the average per pupil expenditure in Connecticut is 1.7 times that in Mississippi. The average of that disparity is gradually going down.

Mr. Bell. You mean the variance is lessening?

Mr. Pierce. Yes. When you look at the disparities within the States, you are dealing with—well, practically the lowest is 2 to 1. Then they go up to astronomical figures in that regard.

Now, our consensus was that the uniqueness of the needs in education among various sections of the country and various States means that if you attempt to try to correct something other than, let us say, the inner city problems, their priorities vary so greatly that they have a focus on what their needs are and try to do something about them and identify them so that then Congress could have a better picture of just specifically what the changes would be.

Mr. Hawkins. Mr. Pierce, in many of the larger cities, we obtain the cost of the miseducation or lack of education of children who migrated from some of the other States, and I don't see how you can separate this problem from the disparity among the States in the expenditures.

For example, according to the report which you put out, the statewide average per pupil expenditure in Connecticut is $882. The same expenditure in Mississippi is only $476. To suggest that the State is a primary source of the funds is merely to leave that differential untouched on a State basis.

Now, you may equalize within Mississippi all of the districts or equalize in Connecticut all of the districts but still have that disparity existing.

Now, the children in Mississippi are not necessarily going to stay in Mississippi. They are going to go elsewhere.

Mr. Bell. May I ask a question here?

Mr. Hawkins. May I continue. Well, does it relate to this?

Mr. Bell. Yes; it does. I was going to say: Would there be a different standard in Mississippi than in Connecticut? In other words, the standard, or the cost, might be somewhat less in Mississippi, so it is rather difficult to judge completely. Is that correct?

Mr. Karsh. Yes.

Mr. Hawkins. I don't think that is correct. You are not saying that differential is completely an explanation of the cost in the two areas?

Mr. KARSH. Of course not.

Mr. HAWKINS. Let us not get off on that tangent, because it certainly is not that great.

Mr. KARSH. Mr. Chairman, I think the main thing that is necessary, when people try to equalize comparable service, is to identify or quantify what those services are, whereas the Commission did recommend interstate equalization and recognized it as a definite need if, in fact, that was entered into as a program. And one of the things we have strongly recommended is the basis upon which to make such a distribution. It was an integral part of the recommendation within a State, and we have also included that for the national level, to do that between States and among States. It is a factor, just as much as there are differences within a State.

Mr. HAWKINS. In recommending sources of revenue whereby the States could assume this cost, what specific taxes were recommended?

Mr. KARSH. Very pointedly, we did not recommend a given tax system for each of the States. We felt that that was their own choice, that it would be different from State to State, and some would wish to rely heavily on one tax as compared to another.

The only thing we were talking about is that all taxes today that are authorized for revenues for education be made a State tax, so that once the State has accomplished that, it is up to them, based on the needs and the interests within the State, to choose the mix of taxes they felt best would apply.

Mr. HAWKINS. Mr. Bell.

Mr. BELL. Yes. I was not clear on one thing, Mr. Karsh. Concerning the percentage of taxes, you said the State handled a large preponderance of it and then you changed the ratio, reducing local to no more than 10 percent, and the State would be what—60 percent, and the Federal would take the difference?

Mr. KARSH. No; we were talking about State and local combined—the non-Federal dollars—and, with non-Federal dollars, we would assume it would be 90–10 or whatever it came out to be.

Mr. BELL. What percentage would you expect the Federal share to be?

Mr. KARSH. We didn't work with a percentage, sir. We felt that that by itself really didn't give directions for what the dollars should be. We felt the Federal dollars, whatever they turned out to be, whether they turn out to be 30, 20, or 50 percent, is a different consideration, that the Federal dollars should be used to move particular interests of both the State and national level.

As the thing turns out, the recommendations we are suggesting here, if, in fact, general revenue sharing and welfare reform were to take place and if these funds were available for a whole host of public services within the State, that the State should make the choice or at least have the option to make a choice as to whether they want to put all of their money in education or whether they want to provide education with additional funds that accrue to them as well as the health services and other services provided through the public funds within the State.

So it is difficult to determine a precise percentage, and that percentage should really result in the choices and actions that the authorities would make within the available funds meeting all of the requirements that would be placed upon them, because education is so interrelated to these other functions, that to separate it and isolate it would be to look at it in terms of a vacuum in terms of needs of other public programs.

Mr. BELL. You also mentioned the money the Federal Government should bring into this, and I think you mentioned an additional $2½ billion by Federal. Is that $2½ billion a year?

Mr. KARSH. Yes.

Mr. BELL. In addition to $1 billion a year—well, I was confused on that—didn't you talk about $4 billion and $5 billion?

Mr. KARSH. Yes.

Mr. BELL. Were you talking about it over a period of 5 years or 1 year or what?

Mr. KARSH. First of all, the $4 billion to $5 billion is also coincidentally a figure that is the sum total of all of the money that would accrue under the various recommendations and the endorsements of programs that are reflected in the report.

Let me try to clarify that this way: The $4 billion to $5 billion is what we thought would be necessary to move the States to full State funding spread over 5 years. This would come to about $1 billion a year. The urban education program which we have recommended is about $1 billion a year or a total of $2 billion. In addition we recommend $250 million for early childhood education. So it comes to $2.2 billion or $2.3 billion.

Above that, the additional funds that would accrue for education within the States on the assumption that general funds available to them would be applied to education the same way it is today and recognizing this may not be the precise way, would bring them an additional $2-odd billion, so we have total funding of about $4 billion to $5 billion and specific recommendations of about $2.3 billion, and then the other programs which would come to them as a result of other reforms that are operating between the Federal and the State and the local governments would bring an additional $2-odd billion.

Mr. BELL. With the $4 to $5 billion you are talking about the total package?

Mr. KARSH. Right.

Mr. PIERCE. That is the big one.

Mr. BELL. Now, on page 18 of your report, you talk about high school graduates going into jobs or higher education. Of course, this is a little out of your field—but I get the idea you felt that a greater preponderance of your efforts in high school should be made in job training.

Mr. PIERCE. That is specifically, and that is the reason for the career education recommendations.

Mr. BELL. I had the good fortune to travel to Russia not too long ago, and although our educational system is much better than theirs, I did notice that they were homing in on job training earlier than we were for the most part, which is an interesting aspect.

Mr. PIERCE. As you know, the big push in recent years has been to shift from strictly academic training to giving young people a better feel and opportunity to understand the world of work better and particularly to focus on some type of career development.

This would occur at both the secondary level and early postsecondary in the technical institutes, area vocational schools, and all of that type of thing developing across the country.

Mr. Bell. I understand, in answer to a question of Mr. Hawkins, you said you did not get into specifics of types of taxes that should be raised.

Mr. Pierce. Let me extend in answer to that a little, Congressman. When you look at the specifics of taxation in the States, you find a complicated problem, and we felt that the whole tax structure and analysis of that took a type of expertise which a commission such as ours really did not have. We recognized that there are many, many pitfalls and inequities in the taxation structure and with court cases such as *Serrano*, and many of the authorities, as you know, are getting into that and identifying them, but we felt it had to be dealt with and, as you deal with it, quality in education and equal educational opportunity are two parallels running through the entire problem.

But for us to make specific recommendations to the various States, as you know, the constitutional limitations that you face in many of the States would have made it extremely difficult.

Now, as a result of this and through dealing with the National Legislative Conference, the National Governors' Conference, and other organizations like that, we hoped to call to their attention what ought to be done in this regard.

Mr. Bell. There is a commission that is in the course of studying a tax they would recommend.

Mr. Pierce. That is correct.

Mr. Bell. Their report is expected soon or do you know?

Mr. Pierce. I think next fall.

Mr. Hawkins. That is after the elections.

Mr. Bell. That is all, Mr. Chairman.

Mr. Hawkins. Mr. Quie.

Mr. Quie. Thank you, Mr. Chairman. In your recommendations for the urban educational assistance program, did you have information to show that the rural education is superior to the urban education?

Mr. Pierce. No.

Mr. Quie. Why not programs in the rural? I assume that the suburbs are supposed to be dealt with.

Mr. Pierce. Well, at the bottom of the report is a statement about sparse areas, Congressman. When you are dealing with a commission, you know you cannot always say what you want to say because of the difference of opinion, but we certainly identify the problems of the inner cities and the very sparse areas, which are the two key areas that need much different approaches to solve the problems.

Mr. Quie. Urban areas are crying because they are having a hard time keeping their expenditures up to where it was before. Rural areas are not crying because they were never able to enjoy that kind of luxury.

Mr. Pierce. That is correct. In terms of organization and structure and such things, technology probably is the only way you are going to be able to solve some of those problems.

Mr. Quie. I gather from your comment that if we divert some of the money to the rural areas, you wouldn't feel too badly about it.

Mr. Pierce. Well, I thank we are very conscious, Congressman, of the dynamite we are dealing with in the urban areas, and you have had testimony here before you of that dynamite. So, from a societal standpoint, there is no question in my mind but what the large cities are one of the most acute problems we have in the United States.

Mr. QUIE. We don't have de facto segregation in the rural areas.

Mr. PIERCE. No: it is totally different there.

Mr. QUIE. When you suggest there will be an extra $1 billion a year, providing the States assume the costs, what would you require the State to do to get the money?

Mr. KARSH. That is to move toward a higher level of State funding. There it ties in, of course, to the basic recommendation that the States do assume a greater proportion of the State and local costs, so we are assuming that their percentage share would increase over a period of time. That ultimately would achieve the end result.

Mr. QUIE. I under the *Serrano* case, but what was the purpose of the commission's proposal the State should assume more of the costs? You did mention earlier the disparity between districts in intrastate. The disparty between the intrastate districts can be great, of course, if most of the funding is by local levels. Take a State like Virginia or Wisconsin, in Wisconsin 65 percent of the money is funded locally, and the disparity between districts there is not greater than it is between districts in Alabama, say, or Louisiana, where there is a low percentage, or Alaska, with only 11 percent local funding.

Mr. PIERCE. Let me say this in illustration: North Carolina, as you know, furnishes much more at the State level, almost 75 percent, I believe, and the disparity in North Carolina is 467 versus 732. As you move toward full State funding, you begin to reduce the disparity.

So it is in that regard that we made this recommendation.

Mr. QUIE. One State funds 65 percent locally, I believe—65.3 percent—that would come from local sources, and their disparity runs 894 to the national, between 10 percentile and 90 percentile, to 624 on the low side, so they have about the same as North Carolina?

Mr. KARSH. I think, Congressman Quie, the important thing that we are hoping would result from a higher level of State funding is that there will be a rational basis for distributing the funds for education with the States. We do speak to the two indices which would hopefully identify just what the needs are for students around the Sate as well as what the costs are. Equal dollars certainly would not be a criteria that we would be recommending, and we do not. It would be allocation of available education resources that best meets the varied needs of the people throughout the State. We felt with funds concentrated at the State level, there could be a rational attempt to provide funds around the State to meet these two basic considerations.

Mr. HAWKINS. Will you yield at that point?

Mr. QUIE. Yes.

Mr. HAWKINS. On the incentive grants, do you expect, with the expenditure of $1 billion, to encourage States to assume what you call full State assumption, which is $14 billion, and, in addition to that, to level all of the districts within the State, which would cost another $6 billion, that this $1 billion is supposed to encourage the States to put up $19 billion?

Mr. KARSH. No, sir. I would like to use different figures but to describe the same situation you are talking about.

Mr. HAWKINS. Yes.

Mr. KARSH. First of all, the $4 billion to $5 billion for incentive grants we are talking about would be added educational funds to the

States because we would assume that the same level of spending between State and local sources would be maintained, it would just be a shift from a local to State tax, and the same level of funds would be available to the State. Above that would be the $4 billion to $5 billion plus the additional money we are talking about in terms of urban education, plus the other money that would accrue to them in terms of reform, either in the welfare or general revenue sharing programs.

Now, against that amount of money, to move to the 90th percentile around the country, and we try to condition this matter because we don't have the pure figures, but with a reasonably small margin of error, we are talking about $6 billion that would be required to move expenditures up to the 90th percentile. Against that $6 billion, the recommendations would be $4 billion to $5 billion right there.

So what we are talking about is something that does appear to be within a reasonable range.

Mr. Hawkins. I thought in answer to Mr. Quie's question you did say the purpose of the incentive grants was to encourage State assumption or full State assumption.

Mr. Karsh. Yes.

Mr. Hawkins. Then it seems to me that you are talking a little nonsensical to say finance, or, to say the least, if you think a billion dollars is going to do that.

Mr. Karsh. That is the judgment of the commission.

Mr. Quie. A billion dollars goes a long way.

Mr. Hawkins. They tell you to forget about it: it is not going to do it.

Mr. Pierce. I really don't quite see your argument, Mr. Chairman.

Mr. Hawkins. Well, I didn't want to interrupt Mr. Quie.

Mr. Pierce. I know, but if you are now collecting, let us say, $1 billion in the States, yes, $1 billion in the States for education, and 70 percent of it is local and 30 percent of it is from the State sources, if you just shift the points where you collect them and then have a different distribution system and if you got, in addition to that, $200 million or $100 million to help in that type of thing, that is what we are really talking about.

Mr. Hawkins. If it is that simple, why wouldn't the States do it now?

Mr. Pierce. We are trying to, both through courts and through this, to get action.

Mr. Hawkins. Well, it is not the billion dollars that is going to do it but *Serrano* is going to do it.

Mr. Pierce. I think *Serrano* is going to do it, but it will do it over a period of time, and I think the Federal interest in this would be helpful.

Mr. Quie. What about States like Minnesota, which, at the last legislature, now has moved up to 65 percent State funding of elementary and secondary education? I notice the figures I have on Wisconsin, 65 percent local. Now, of that $1 billion, Minnesota gets little or nothing and Wisconsin gets a big chunk?

Mr. Karsh. We did not deal with the specifics, although we gave four possible approaches to distributing the money. One of them would be to reward a State that already had a higher State funding.

So, in terms of what each individual State would get, I think that is certainly something that would be a consideration. But in the aggregate, we talked about the amount of money that would be required with four possible alternatives in terms of doing it.

Mr. PIERCE. What you said, Congressman, is one of the major issues in this. Minnesota is going through a very traumatic time in making the shift, and their legislators said, "We want to be rewarded rather than to get the smaller amount." I think from a congressional standpoint, if you dabbled in this area, that will be one of the most difficult problems to face—how to do this.

Mr. QUIE. Thank you. What about your position on 10 percent local money that is to be raised? Is there any limitation? You know the Minnesota tax law limits the local communities on the amount they can raise unless they go into a referendum at the same time the school board is elected, and I believe that is something that lasts for 1 year.

Now, what happens is, some school districts end up with less money than before and I say, as a general statement, if you go to an equal payment per pupil, the big cities won't fare as well. So what have we gained for the people crying the loudest?

Mr. PIERCE. I think it is very dangerous to talk in terms of equal money, and that is the reason Mr. Karsh was emphasizing your "needs" approach. The high-cost programs in the cities, special education, vocational, technical, or the urban ghetto, if you don't identify that and reflect it in your basic costs, if you are going to just deal with children and just say flatly, "$500 a child," you will miss and be grossly unfair, because the costs of your programs are very great both in urban centers and in your sparse areas where your transportation takes such a huge amount of the costs.

Mr. QUIE. All *Serrano* demands is that there be equality of expenditures without regard to district wealth. If you look at legislatures, the highest percentage are rural and suburban legislators. the "one person-one-vote" decree came, everybody hoped the cities would get more representation and the rural would get less, and what happened is that people went to the suburbs who were not represented well, and the suburbs are made up of people that escape the cities, they are joining with the rural legislators who are left over, so how does the city then get more money?

Mr. PIERCE. We would have to—and I think this will basically be a part of many of the court decisions; for example, they don't, or most of the decisions do not talk about equal dollars per pupil. They don't recommend that.

Mr. QUIE. They object to the fact they are unequal dollars?

Mr. PIERCE. That is correct.

Mr. KARSH. They really don't object so much to the unequal dollars, but that is a consequence of what they are objecting to, and the consequence of what they are objecting to is not really the thing we are after. They objected to the fact that local wealth was the consideration for local expenditures.

Mr. QUIE. Yes. Now, when the legislature changes it and you get equal payments per child across the State, then does the court object? I don't see anything in *Brown* or *Rodriguez* that says they would object.

Mr. Karsh. Probably not.

Mr. Quie. It seems you get more recommendation. The cities would probably fare the best if there were not any State or Federal money and just raised their own money because they have more taxes per area than anybody else.

Mr. Bell. It is my understanding that some of the lawyers involved in these cases indicated that what they want is equal education, and there is a right, therefore, to spend more money in the deprived areas for education than elsewhere.

Mr. Quie. Yes, they have the right, and that would not be comparable to *Serrano* if they spent more in poor areas or for handicapped children. But if they did not but just divided equally, I don't see any court decisions to prevent them from doing that.

Mr. Bell. They wouldn't have to divide it equally.

Mr. Quie. No; but where do you get the voting strengths in the State legislatures? The city legislators are in the minority.

Let me ask these few questions. When you say, "Comprehensive rural childhood education," do you mean universal?

Mr. Karsh. On the 4-year-olds?

Mr. Quie. Yes.

Mr. Karsh. We have recommended that but with immediate priority being given to the disadvantaged first.

Mr. Quie. You indicated in your report some pretty glowing results that group management of students of 4 years and up have been producing tremendous results. I have not read those. Can you give us a list? It would seem the other way—not producing tremendous results.

Mr. Karsh. I don't think it was tremendous. It said 4- or 5-year-olds in a fairly structured educational program do produce reasonably good results almost as, I would say, with 5- or 6-year-olds. Below that, they said, the findings were that the structured programs for 3-year-olds on down were less successful, that the way to approach children of that age was essentially through parent education; but that whole area was covered in one of the reports we have provided to the subcommittee, dealing with early childhood education.

Mr. Quie. Do they list the studies?

Mr. Karsh. Yes.

Mr. Quie. I recognize that it is not possible to move that group management down to 3-year-olds and below and get universal results, but there are a lot of questions about ages above that, too—the 4-year-olds.

Now, on the preschool children, then, is the voucher program the only one you were committed to here?

Mr. Karsh. No; the private-school children would be heavily benefited by the urban education program. For one thing, 83 percent of all nonpublic school enrollments are in standard metropolitan areas, and 50 percent of all enrollments—just a little under that—are in the innercities.

Mr. Quie. How do you get the money?

Mr. Karsh. We would assume it would go through the public authorities essentially the way it is coming.

Mr. Quie. Use ESEA?

Mr. Karsh. That same approach, right.

Mr. **Quie**. But the voucher plan that is mentioned here is one of the possibilities, isn't it?

Mr. **Pierce**. The only alternatives we saw were either a voucher plan or tax credit under the decision, and even that has some questions. So we were up against, or, with a desire to have the nonpublic survive, we found it difficult to come up with an answer that would be satisfactory.

Mr. **Quie**. Point No. 8, the reorganization of school districts—who do you say has the responsibility?

Mr. **Pierce**. State legislatures.

Mr. **Quie**. You would not hold out any incentive on that?

Mr. **Pierce**. We toyed with it but couldn't come up with a handle on it. But we believe that this is a part of the reform that really is most significant. The whole concept, Congressman, you know, of the intermediate unit and the different ways of governing education, we think, offer some real opportunities for strengthening the educational program.

Mr. **Quie**. Lastly, why do you say: "No new money for career education"? You have all kinds of incentives all up and down the line, and I imagined this administration would ask for new career education money that would have a chance of being adopted by the Congress.

Mr. **Pierce**. I think it was merely a matter of the makeup of the Commission and some of their personal viewpoints. They are no different from people.

Mr. **Hawkins**. Mr. Veysey.

Mr. **Veysey**. Thank you, Mr. Chairman. I want to say I appreciate getting the report of the work on the President's Commission. As I recall, the Commission was assigned its task in about March 1970. Is that right?

Mr. **Pierce**. Yes, sir.

Mr. **Veysey**. Now then, the *Serrano* decision came along more than a year after that. What did this do to your thinking and to your programing? Having already been pretty well along with your work by the time the decision came along, what did you do to respond?

Mr. **Karsh**. We didn't really have to shift gears 1 inch. In looking at alternatives and looking at how funds are being raised, the Commission was inclined in this direction before the *Serrano* decision came out. I would say, in terms of our consideration, the only thing it did do was eliminate certain options which probably would not have been recommended by the Commission.

Mr. **Veysey**. Your emphasis was already on a State responsibility for funding, on a uniform basis throughout, so it fitted there. Do you suppose that there might be a successor case to the *Serrano* decision that would say: "Now we must have essentially equal educational support among the States"? Is that contemplated?

Mr. **Karsh**. It could very well be the next step once this is accomplished and would be consistent.

Mr. **Veysey**. Then where does it leave your recommendations?

Mr. **Pierce**. Number one, that is an issue, as you know, the lawyers dealing with the *Serrano* type of case are dealing with. You have to leave the 14th amendment and go to the fifth amendment.

The statement which I made before you came in, Congressman, was that the disparities between the States is between the 1.7 figure roughly and 1. The disparities are not as great between the States as one might think they are when you look at the wealth. When you look at the methods of taxation, well, I would like to see what happens if you really implement the *Serrano* type of decision in the States, what the disparities really would be.

If you look, for example, at some of the lower income States and look at—well, let us say, taking the cost of a house, a $20,000 house, you notice the disparity there is very great on the property taxes there. So, as you equalize or bring equity into taxation, I am not sure but what some of what we now see as much disparity and, as you deal with the concept of reform in terms of education and in terms of the quality of the education that is being offered, your differences would be reduced.

You are speaking of the movement of people. I spent many years in Cincinnati where large numbers of people came from the Appalachian areas of Kentucky and West Virginia, and this was one of the major problems in terms of quality education. I agree with the Congressman who points out you have to do something back where the people come from.

But this is not doing something about it back there, and it is a real tough problem because it is not just money but the concept in value of education as they identify it. This is the tough side of it.

Mr. Veysey. Now, you come up with another very important thing. By the nature of your charge, I guess you have been dealing with the financing of schools—that is, that very important financial input that goes into schools and not necessarily with the output of the schools, the education; but one of the things, I guess, we learned, apart from the Coleman report and the subsequent reanalysis is that there may or may not be much relationship between the output of education and the input. What about that?

Mr. Karsh. First of all, in the report itself, there is constant reference to the fact that these questions of benefit from additional resources either do or do not bring about the commensurate benefits with levels of expenditure. We spoke to it also in a separate section on accountability. We spoke to the fact that because there are such varied ways of spending money as well as varied ways of levels of expenditures that the widest latitude be given to the local school boards and local school districts to operate within those available funds but that they be accountable both to the constituency they are serving as well as to the State so that they have a high degree of accountability on the use of the funds as well as a wide latitude in the use of those funds.

One of our backup studies, also in that yellow series of reports, is a report done for us by the Rand Corp. entitled "How Effective Is Schooling?" and it was a complete state-of-the-art analysis of everything that had been done and summarized essentially in one of those reports. So we did deal with that subject.

Mr. Quie. Will you yield?

Mr. Veysey. Yes.

Mr. Quie. Didn't you say the Rand study didn't make much difference? How do you go about it? It all comes out the same, so you might as well use the cheapest methods?

Mr. Karsh. I think that is an oversimplification. I think the Rand study essentially said there had been no single determinant in terms of research inputs, no single elements that had much effect in terms of schooling, but went on to say this does not mean there is no difference in results of spending but, they said, we have not identified any so far.

Mr. Bell. Will you yield?

Mr. Veysey. Yes.

Mr. Bell. I wanted to ask one thing I was not clear on. Did you say you had placed a limit on the amount the local school area could raise in taxes?

Mr. Karsh. Yes.

Mr. Bell. You placed it at 10 percent?

Mr. Karsh. Ten percent above the State allocations.

Mr. Pierce. This was in answer to the *Serrano*-type decision.

Mr. Bell. I would think you would have to place a limit.

Mr. Pierce. We are not sure that is legal, but it would be legal under the *Serrano* type.

Mr. Karsh. We hope.

Mr. Pierce. Yes.

Mr. Hawkins. Mr. Veysey.

Mr. Veysey. Going back to your earlier statement that elimination of the financial capability differences between districts within the State would eliminate a great part of the differences nationwide, maybe reducing that to less than 2 to 1 at the outside, was that your judgment? 1.7, I think you said.

Mr. Pierce. Yes.

Mr. Veysey. How would that factor, that ratio, relate to whatever the Rand people found out as to the effective use of your money? Is there any way to make a connection there?

Mr. Pierce. I don't think we have that kind of information, but I think it is what we ought to be working on.

Mr. Veysey. It certainly seems to me that probably there has been just gross observation of schools, and the apparent result might be that a much larger ratio than that exists in terms of output per dollar going into different school situations. Maybe we have to direct major attention to that which brings us back to accountability again.

Do you have any suggestions as to a Federal role in accountability? You laid the responsibility principally on the States, I believe.

Mr. Karsh. That is right. The National Institute of Education, which is being deliberated right now, very heavily is geared for work in that area to try to see how children learn and so on in terms of results and resources. We endorse that movement strongly. We just have to do more work in that area to find out how outputs are affected by the resources that we spend on education.

Mr. Veysey. We have been going through a kind of dismal process of reviewing the title I expenditures and their relative lack of effectiveness, you know, in accomplishing visible results nationwide, although their report has some good results.

Mr. Karsh. Yes, there are.

Mr. Veysey. What you say is, we ought to pick up those apparently successful results and build on those and cut out doing the sort of cosmetic useless spreading around of the title I money?

Mr. Pierce. Congressman, the thing that bothers me about that, if you are talking about the really deprived child, from what this background comes, is that it is the same as a handicapped child, where we are perfectly willing to spend one and one-half or two times as much to give that child an education that will meet that particular child's needs.

In title I, so far, we are really spending a relatively small amount per pupil. I think that we have not really given it the old college try—that is, to overcome the degree of deprivation that the child has, and, until we do that, I don't think we really have an answer as to whether it will work or not.

So I would like to look at the deprived child the same as I would look at a handicapped child in special education and say: "In order to meet this child's needs, we have to do this or that, a smaller class, specialized types of teachers, special types of situations."

We spend, you know, as much as two to three times as much on a handicapped child, and I think some of these children need that kind of treatment.

Mr. Veysey. Thank you very much.

Mr. Hawkins. Mr. Pierce, I noticed that one of the recommendations had to do with reorganization.

Mr. Pierce. I can find that here. It is on 68, and the recommendation is on page 70.

Mr. Hawkins. This appears to come very close to the *Richmond* decision. In what way would you agree that this would differ from the *Richmond* decision?

Mr. Pierce. That is a tough one.

Mr. Hawkins. Well, the recommendation comes very close to being what that decision subsequently—possibly not subsequent to the report, but previous to the report—recommended. I am just wondering whether that conforms with the thinking in that decision, and whether you had that decision in mind.

Mr. Pierce. We had that in mind. If you will read the next paragraph:

> The Commission has not addressed the issue of how precisely to reach a satisfactory level of integration in elementary and secondary schools. We recognize, however, that the reorganizing of school districts and the attainment of better racial balance in schools may require pupil movement including, in some situations, the use of buses as one of the means of achieving educational opportunity and quality education, as set forth in this report. However, it is increasingly apparent that busing to produce a uniform racial ratio in all the schools of a district may not be the best procedure. More viable alternative methods, within legal constraints, must continue to be evaluated.

Now, the problem we face, if you view the *Richmond* decision and then people run out further: How far do you go? This is the type of thing we were up against.

Mr. Hawkins. If it is done at the State level, if you are suggesting the State provide the leadership, there is no place within the State for the people to go?

Mr. Pierce. Yes—that is, with this exception.

Mr. Hawkins. Yes, except within that State?

Mr. Pierce. Yes.

Mr. Hawkins. If you are going to ignore political boundaries, that the State is in that position to do, according to the recommendation, it seems to me that your reasoning is very close if not exactly in focus with the *Richmond* decision. Do you agree or disagree.

Mr. Pierce. Close, yes.

Mr. Hawkins. Mrs. Green.

Mrs. Green. How did you come to the conclusion that the Federal share should be the amount that you recommend—10 percent, I believe? The State commission circulated questionnaires to Governors, State legislatures, and everybody under the sun. They came back with the recommendation that the Federal share be at least 32 percent. How did your commission arrive at the 10 percent recommendation, Mr. Pierce?

Mr. Pierce. Would you want to answer that, Mr. Karsh?

Mr. Karsh. I will be glad to.

Mrs. Green. Are you both on the Commission?

Mr. Karsh. I am executive director.

Mrs. Green. I see.

Mr. Karsh. We did not arrive at a fixed percentage for the Federal level. The 10 percent that is reflected in the report was a 10-percent local supplementation of the State allocation under a predominantly full State-funded program. We did not address, or we did not conclude, that a percentage should be established or should be used for Federal involvement. We felt that that should be something that results from certain actions rather than as a criteria for actions.

For example, if, in fact, there were to be general assistance programs provided to the States from the Federal level or if, in fact, they were to be welfare reforms where additional money would accrue to the States for all public purposes, that the decisions of the States themselves as to how education would fare as compared to funds for housing or funds for health or any other public service would really be the determinant rather than establishing a percentage and working from it.

Mrs. Green. I understand one of your conclusions is that the Federal responsibility should be for educational reform in the special national interests.

Mr. Karsh. That is right.

Mrs. Green. That will not be anywhere near the third? In other words, what you did, if I understand you correctly, was to ignore the results of the questionnaires you sent out to those engaged in the education business. Is that a fair statement?

Mr. Karsh. No, I don't think it is, because on the surveys that we did make, which included many, the feeling was essentially mixed. It is true that the education groups as such did recommend that, yes; that part is true.

Mrs. Green. Wasn't the media of their recommendations about 32 percent?

Mr. Karsh. About that, yes.

Mrs. Green. Had they recommended anywhere from 100 percent in the Southeastern part of the United States and 75 percent in the New England area as the Federal share?

Mr. Karsh. That is true, but they were not the only ones who spoke to the Federal share as such.

Mrs. Green. What group or what individuals, then, did lead you to your conclusion that the national interest should be only for the reform and special interests?

Mr. Karsh. I think that was the deliberations of the full Commission as they were aware of all of the information that was available to them.

Mrs. Green. What other information was available besides your circulated questionnaires to Governors, legislators, chief State school officers, State associations, school administrators and school boards, CPA's, State school board members, State teachers' associations, and Federal officials. What group's recommendation led you to your conclusion?

Mr. Karsh. I say it varied—all of the other groups—and it is hard to generalize specifically the recommendation or the level.

Mrs. Green. What are some of the other groups?

Mr. Karsh. You already mentioned some. As you did mention them, you included other than educational groups as such. We did also survey all of the chairmen of the educational committees in every State in the Union, both House and Senate, and we did survey the Governors. We did survey, not all, but most of them.

Mr. Pierce. I think what the Congresswoman is after is: Was there a difference between educational organizations and their viewpoints or were there other viewpoints of Governors and legislators, and did they recommend less than 32 percent, or what was our reason for not buying the 32 percent?

As I understand it, on the survey basis, we did not get the predominance of recommendation of large percentages from the politically oriented people as we did from the educationally oriented people.

Mr. Karsh. Yes; that is true.

Mrs. Green. For the State legislators, I believe the mean percentage was 31 percent. It is true that some legislators recommended nothing, but others went as high as 75 percent. The median was 32 percent. So your political people as well as your school people seemed to conclude that one-third of the support should come from the Federal Government.

Mr. Karsh. But, Mrs. Green, the funds we had anticipated would accrue for educational purposes would come from other than a fixed Federal percentage. It would be as a basis of choice. It could reach 33 percent—it certainly could—but funds available for education would come from other than a direct educational grant.

Mrs. Green. Well, the responses which I am citing are the result of your statement "The Federal share of the cost of public schools should be increased or decreased until the Federal contribution reaches an optimum of x percent of the total cost."

Mr. Karsh. That is true.

Mrs. Green. I am saying, then, the mean amount was 32 percent.

Mr. Karsh. I am not denying that but, in the context of that question, the responses were specifically education grant funds and, in the final recommendations of the Commission, it was grants for education plus funds that would accrue to education through other programs.

Mrs. Green. That is not the way it went but, it seems to me, you ignored the results of the questionnaires that the Commission sent out and arrived at something else entirely. How do you reconcile the recommendations here and the administration's recommendations for revenue sharing?

Mr. Karsh. The recommendations in the report—that is essentially an endorsement rather than a recommendation for general——

I am sorry. You did say, "general revenue sharing"?

Mrs. GREEN. No; I said, "revenue sharing"; the administration wants revenue sharing which would provide more Federal funds for education, as I understand it.

Mr. KARSH. Well, certainly for general revenue sharing, we did speak to that in terms of its bringing an additional amount of money to education which we assumed would accrue roughly—or, we didn't assume but on the basis that the funds going to education from those States and local sources would essentially bring additional money to education, and we did endorse that, but it was an endorsement.

On the special education revenue sharing, again we endorsed that approach, and we said that both of these programs would benefit education.

Mrs. GREEN. But the States were to pick up somewhere around $14 billion of the cost on this when all reports state they are taxed to their limits now.

The basis of revenue sharing is: They are broke and need funds.

Mr. PIERCE. Well, they would be getting those funds essentially, as the last report indicates, from all sources, either recommended directly by the Commission or endorsed by the Commission, somewhere in the neighborhood of $5 billion annually, which is considerably more than going out now for elementary and secondary education.

Mr. HAWKINS. Thank you, Mrs. Green.

Thank you, Mr. Pierce and Mr. Karsh. I think your statements have been very constructive and most enlightening.

That concludes the hearing, and the next meeting will be Tuesday, April 18, in room 2261.

(Whereupon, the subcommittee recessed, to reconvene on Tuesday, April 18, 1972.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

TUESDAY, APRIL 18, 1972

House of Representatives,
General Subcommittee on Education,
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Roman C. Pucinski (chairman of the subcommittee), presiding.

Present: Representatives Pucinski, Meeds, Quie, and Bell.

Staff members present: John F. Jennings, counsel; and Cindy Banzer, minority legislative assistant.

Mr. Pucinski. The subcommittee will come to order.

We will resume our hearings before the General Subcommittee on Education regarding the financing of elementary and secondary education. There are a number of bills pending before the committee, submitted both by the administration and by the various members, and I am very pleased that we have with us today Mr. Roe Johns, project director of the National Educational Finance Project, and Mr. Kern Alexander, associate project director, here to give us their findings on the future direction for school financing.

We will print as an Appendix A to these hearings chapters 8 and 10 of volume 5 of your report. Those chapters are the most important part of your report as far as these hearings are concerned.

Mr. Johns, I am most anxious to hear your testimony. I understand you are also going to show us slides. Mr. Johns and Mr. Alexander, you can proceed in any manner you wish.

STATEMENT OF ROE JOHNS, PROJECT DIRECTOR, NATIONAL EDUCATIONAL FINANCE PROJECT, ACCOMPANIED BY KERN ALEXANDER, ASSOCIATE PROJECT DIRECTOR, AND K. FORBIS JORDAN, FINANCE SPECIALIST, NATIONAL EDUCATION FINANCE PROJECT, AND PROFESSOR OF EDUCATION ADMINISTRATION, UNIVERSITY OF FLORIDA

Mr. Johns. I will just move up a little closer to you. Being a college professor, I like to be near my class.

Mr. Pucinski. You are like my minister; he likes to keep close to the people, too.

Mr. Johns. You keep awake and can't nap if I am close to you.

The National Education Finance Project, to give you a brief background, was funded by the U.S. Office of Education for approximately $2 million. It was started in June 1968, and it will be continued in operation through the middle of July under our present grant—I hope it will be continued a little longer, because our work is not yet finished.

I want to say that although the Office of Education funded this project, they in no sense directed the project or controlled its recommendations or edited them in any sense. We published our findings, our research, the way we found it, and the Office of Education does not necessarily support or oppose what we recommend. They funded it and simply requested us to study problems of school financing and report findings. It was just that simple a direction.

The study was made with some 38 professors, expert in school finance and economics employed by 20 different universities scattered throughout the Nation.

Mr. BELL. How long ago did you start?

Mr. JOHNS. June 1968.

The general project design was as follows: We first wanted to look at the dimensions of educational needs in the United States, that is who are we trying to educate, and what will be needed financially to meet educational needs between now and 1980.

We next examined the economic factors affecting education, the effect of education on the national economy, educational needs, and program costs of the different programs needed for different pupil populations—for instance, the culturally disadvantaged and exceptional education, vocational education, and general and basic education. We also examined the status of current finance programs, both State and Federal. We evaluated these programs and then made recommendations on alternative methods of financing.

You have in your hands volume 5 and a popular summary entitled "Future Directions for School Financing." Our findings were actually reported in five volumes published by the central office and five unnumbered volumes, then 10 satellite volumes—actually 20 volumes in the total, complete report.

But we pulled together the essence of our report in that little popular summary "Future Directions for School Financing." The more complete summary of our report is contained in volume 5 entitled "Alternative Programs for School Financing."

There were a number of the satellite projects, or studies, which we subcontracted to professors in various institutions over the United States. Some of the institutions involved were: the University of California at Los Angeles, Stanford University, University of California at Berkeley, University of Wisconsin: University of Michigan, University of Minnesota, Chicago University, University of Colorado, University of Indiana, Illinois University, Columbia University, University of the State of New York at Albany, North Carolina University, University of Tennessee, University of Florida, and so on. I have not named all of them, but you get a notion of the national scope of these studies.

If you think I could control the recommendations these 38 professors from different universities, you have another think coming. We asked them to do research and to report their findings. There was no censoring on the part of the central staff of the satellite projects. We asked each researcher to report what he found.

Following are some of the satellite projects: Exceptional education, vocational education, personal income by school district, community colleges and adult education, financing public school facilities, school food services, fiscal capacity, school district reorganization, and early childhood education.

Here (referring to a slide) is where further studies are made. Each spot is where we actually have obtained data for these various studies, either directly or indirectly.

Mr. BELL. Is one of those Los Angeles?

Mr. JOHNS. Yes. It is down there, and San Diego is there, too.

That will give you some notion of the national scope of the study which we made.

The next slide shows some of the central staff studies. We published five numbered volumes. Those are the volumes I just mentioned. Mr. Jennings asked me to send you copies of all of those. Most of them are out of print, but we can scrape up a few copies. We published only a limited number of each volume.

The next thing that we wanted to look into was what was happening in the individual States. In making this survey we ran into two main complaints: one, educational opportunity was not equalized within the States and some schools had much better programs than others; and second, there was a general feeling that taxes to support schools were inequitable.

Frankly, there was a major opposition to the property tax. We found that bond issues were being turned down. We found that operating revenues were being turned down—but not because people had lost faith in the public schools but they didn't like the way the public schools were supported.

Mr. BELL. Was that the basis for turning down the bond issues?

Mr. JOHNS. Yes. For instance, we found that if people thought a tax was equitable, they would vote for it, but people are beginning to revolt from one end of the Nation to the other against the property tax which they consider inequitable.

At the present time, as you well know, a little over half of our school revenue comes from the property tax. The demand is to provide a more equitable tax base for the schools.

We wondered if people were turning down bond issues because they were getting disappointed with the public schools. However, we found they were turning down bond issues for hospitals that were funded out of the property tax. If any bonds for any purpose were to be funded out of increased property tax, the public was turning them down. We found no general lack of confidence in the public schools.

Mr. BELL. Didn't the general consensus come to that conclusion because they had been turning down others?

Mr. JOHNS. Yes; that is right, and also conversations we had, interviews.

Mr. BELL. You took kind of a poll, is that what you mean?

Mr. JOHNS. Not a poll but just interviews with knowledgeable people within the States. For instance, we sent letters to the chairmen of the House and Senate committees on education of all of the State legislatures and asked them what was gnawing on the people and what they were griping about.

Mr. BELL. They always came up with the property tax.

Mr. Johns. Yes; the property tax, there was a constant annoyance there. As you well know, the property tax is becoming less and less a measure of taxpaying ability. The people in the Nation are not economists, but neither are they fools. At the present time, 71 percent of all national income comes from salaries and wages. About 11 or 12 percent comes from corporate income, and another 11 or 12 percent comes from income of unincorporated businesses and professions like "mom and pop" filling stations and lawyers and doctors, and only about 7 percent is derived directly from property in terms of income from rents and farm income.

So while the public cannot analyze these things, they sense somehow or another there is not much relationship between income and property.

Mr. Bell. It is a little early for this question, but what kind of taxes are you proposing, or do you propose one in this book?

Mr. Johns. Yes; we evaluated various taxes. You will find, in volume 5, chapter IX—that we have evaluated various types of taxes in terms of regressivity and progressivity—we found the most progressive of course, is the Federal personal income tax, and then the corporate income tax is next, and then sales taxes; and most regressive of all taxes is the property tax.

Mr. Bell. That is much more regressive than, for example, the value-added tax?

Mr. Johns. Well, we had no data on the value added tax, but it is more regressive than the sales tax.

Mr. Bell. Yes; but the property tax is more regressive than value-added tax?

Mr. Johns. I don't know anything about value-added tax.

Mr. Bell. I saw you didn't have a chapter on it, and I am sorry.

Mr. Meeds. The sales tax chapter will cover it.

Mr. Bell. Not entirely.

Mr. Johns. Anyway, we had to base our data upon what taxes were actually levied, you know, and the value-added tax is not levied on a national basis like sales taxes.

Mr. Bell. But it is being used throughout Europe.

Mr. Johns. That is right, it is used there, but we got no data there.

Anyway, we find that 92 percent of all taxes comes from these four major sources. The rest of it is chicken feed.

Then, of those four major taxes, the schools are getting their major part of revenue from the most inequitable tax, so it is quite obvious why we are having trouble with school support.

We came to the conclusion we are going to have to move toward more equitable taxes to support education and also that we are going to have to move toward more equitable methods of distributing funds from the State level in order to equalize educational opportunity.

You are familiar, of course, with recent court decisions. We anticipated these decisions. Some of the leaders of the Office of Education anticipated that these decisions were coming, because complaints had already been filed. That was one of the reasons for starting the study. If the cases were decided in a certain way, we wanted to know our present status and what would be the alternatives.

We developed a profile for each one of the States showing its present status with respect to school financing. You will find it in volume 4, which you have a copy of in your files. We sampled the districts in each State, but eliminated very small districts by including only districts of 1,500 and above in average daily attendance. The elimination of very small "odd ball" districts greatly reduced the variation among school districts in per pupil expenditures.

The President's Commission on School Finance included these very small districts and reported much wider variations among school districts in per pupil expenditures because we included only districts of 1,500 pupils and above.

Here is a profile of California, that shows the various types of funds per pupil received by each district, that is the source of their revenue. That black portion there is the local effort required for equalization.

Mr. MEEDS. Show us where Beverly Hills is.

Mr. JOHNS. Beverly Hills is the top one. That is the most wealthy district in the State, of 1,500 or more.

Mr. BELL. Anticipating my friend's comments, I want to make clear now Beverly Hills is not in my district.

Mr. MEEDS. I knew that.

Mr. JOHNS. In this chart, State general school aid is shown next, followed by State categorical grants. Following the categorical grants in the chart are the local leeway funds. There is where we find disequalization, local leeway beyond the required local effort. You can see from the chart how much they obtain from the levy. The same tax levy in Beverly Hills yields far more money per pupil than in the poor district. The white section at the very end is Federal money. That happens to equalize that poor district. What is the name of that?

Mr. ALEXANDER. Travis. That is "815-874" money.

Mr. MEEDS. Travis Air Force.

Mr. JOHNS. Show what they have if you cut off Federal aid. That is what they would have as compared with Beverly Hills.

Mr. ALEXANDER. A little over $400, as compared to $1,300.

Mr. JOHNS. You see, this chart throws out the small odd-ball districts, but if you consolidated your odd-ball districts, you would still have that same situation. That is why *Serrano* stated that the quality of a child's education in California, was a function of the wealth of the district that the child lives in.

You see from the chart that the rich districts, such as Beverly Hills received State money without being required to make a local effort. They were guaranteed State money, regardless of need. If a district had $1 million a child from the local taxes in California, it would still be guaranteed a certain amount of State money.

Mr. BELL. You don't know what the academic standing of Beverly Hills is?

Mr. JOHNS. No: we don't.

Now, here is Texas (showing a chart). This is the *Rodriquez* v. *San Antonio* case. You see the situation is somewhat similar to California. What is the top district, the most wealthy district Mr. Alexander?

Mr. ALEXANDER. Andrews.

Mr. JOHNS. The bottom one?

Mr. ALEXANDER. San Felipe.

Mr. JOHNS. You notice the difference there. You see the black section, what they raise locally with the same tax levy; you can see the difference. In Texas, the difference between taxpaying abilities of the rich and poor districts is about 80 to 1. You can see the amount of money they would have.

The courts have declared that the States like that have unequal protection under the law.

We examined every one of the States and found that only one State meets the requirements of the *Serrano* decision—Hawaii. Forty-nine States would be unconstitutional.

I failed to introduce Dr. Jordan, formerly chairman of the Educational Administration Department of Indiana University, now on our staff. He is a finance specialist and has done a great deal of work along with Dr. Alexander on the central staff for these studies.

It became apparent to us early in this study that we are going to have to go to some sort of central funding, that we could not fund education out of property taxes locally. It appears that education will have to be funded primarily from some combination of State and Federal funds.

Then, as you begin to fund centrally, there is a problem you run into: practically the only money you have is what is allocated. If the allocation received from the State and Federal governments does not meet the need of the district, you are in trouble. If you are going to have central funding, you have to have accurate allocation, and the accurate allocation must take into account two things at least. One is the kind of population, the target populations you are educating the preschool children, the culturally disadvantaged, the handicapped, vocational education, and so on. Second, what are the cost differentials for these different target populations.

I understand Mr. Karsh, who is the executive secretary of the President's Commission, mentioned it yesterday—what are the cost differentials for different types of programs and what are the differences in costs for giving equivalent education for children?

Here is a chart showing the prevalence in the second population of different types of handicapped children. We have educable mentally retarded, 1¾ percent, and audiotorially handicapped is .30, and visually handicapped is .05, and speech-handicapped is 3.60, and physically handicapped and speech is tied in with emotional and neurological, and special learning disorders is 1.12, and emotionally disturbed is 2.0, and multiple handicapped is .07, and so on. It adds up to a little over 8 percent that are so handicapped with physical and mental disorders, that they cannot profit by a regular school program without special aid.

We found, in studying the different types of handicapped, that it costs in terms of what it would cost for a regular elementary child not handicapped, 1.90 times as much for the mentally handicapped, 3.25 for the physically handicapped, the emotionally handicapped 2.80, special learning disorders 2.40, and the speech handicapped 1.20. The average cost of the handicapped is about twice as much as the nonhandicapped.

We went into other types of programs. We tried to identify what the best practice was and got educational experts to pick out the best school systems in the States and best programs for the various programs and then compared the costs.

We had to go in and do program accounting in many cases because the records of many school systems did not provide for program accounting. In developing cost differentials, we gave nonhandicapped nondisadvantaged pupils in grades 1 to 6 a value of 1. For the 3- and 4-year-olds, we found the cost about 1.4, and kindergartens 1.3 for equivalent full-time pupils.

In grades 1 to 6, it is 1; and grades 7 to 9, it is 1.16; and grades 10 to 12, it is 1.40.

We do not necessarily recommend that these cost differentials are all justified but that is what we are spending. We need further research on these cost differentials.

Now, the handicapped, when you average it together, is 1.8, and vocational education is about 1.8, and compensatory education for the culturally disadvantaged is 2.

One of the problems we have run into is that we are not spending enough money on culturally disadvantaged to do any good.

We don't want to leave the implication that the Federal Government should put up all of the money. Somebody has raised the question about President Nixon's program, $300 a child, on certain disadvantaged children, but no one should assume that $300 per child will do the job. Let us say we spend $1,000 a child for a normal child—and that is a national average or pretty close—it would cost around $2,000 per pupil for a culturally disadvantaged child. Our preliminary information indicates that it would take that much money to do any good.

Mr. Bell. What do you mean by do any good?

Mr. Johns. I mean actually bring him up so it makes a difference in the achievement of a culturally disadvantaged child.

Mr. Meeds. Measurable differences?

Mr. Johns. Yes.

Mr. Bell. Are you saying $300 a child won't make any difference?

Mr. Johns. Yes, it will make some difference, and even $1 will make some difference. Let us assume that a State is going to full State funding and allocating on the average $1,000 a pupil. We would say for the culturally disadvantaged you would allocate $2,000 and require the money to be spent on those pupils. The Federal Government may put up $300 but the State would put up the difference, whatever it is.

Here is what you might do with the extra money. Let us assume that a teacher of normal pupils in an elementary school can teach 25 pupils without extra help. If those pupils were culturally disadvantaged, she may need two teacher aides or paraprofessionals. Each one of these aides might cost about half as much as a teacher so, you see, you doubled the cost there. You have to give the disadvantaged individual tutoring, individual help. That costs money.

To spend just a little extra money on the disadvantaged or handicapped will not give you a measurable difference in achievement. We don't know a lot yet about teaching the culturally disadvantaged. Some of it is speculative, but those of us with long experience know there is no use of trying to jump a 10-foot ditch and just jump 5 feet. You have to put enough money in to do the job. So we recommend these differentials be fully recognized.

We found that the concentration of these high-cost pupils differed a great deal per district. We found some districts had as much as 40 or 50 percent of all of the students culturally disadvantaged. You can determine the culturally disadvantaged as defined by title I or a more rigorous definition. We will find other districts may have only 5 percent culturally disadvantaged. Look at how inequitable it is if the State allocates to all districts the sane amount of money per pupil when some districts have a larger percent of high-cost pupils than others.

We found that in order to equalize educational opportunities, you had not to only equalize differences in wealth among the districts but equalize educational programs. Children's needs differ and different kinds of programs are needed to meet different needs.

Then we looked at various alternative programs of State support that would satisfy conditions of equity for taxpayers and equity for children and also the recent court decisions. We looked at the existing programs, and found that there are seven States that appropriate money on a flat basis without taking into account the differences in taxpaying ability of local school districts. The seven are Arkansas, Arizona, Connecticut, Delaware, New Mexico, North Carolina, and South Carolina.

Of course, if the State provided all of the money, it wouldn't make any difference, but these do not provide all of the money. They require local taxes to supplement the State program. Of course, the richer districts have a great deal more money per pupil beyond what the State gives them than the poor districts.

There are 42 States with some sort of equalization programs, and they take into account, to a limited extent, the differences in taxpaying ability of the districts. There is only one State, Hawaii, that has a complete State-supported program.

Then we started to analyze what are the alternatives a State would have in financing the schools. I am leaving out Federal in this because the State legislature has no control over the Federal Government, but we have assumed that Federal funds may come on top of State financing.

We constructed a prototype State, a sort of a sample of the United States constructed from real districts of different States. The prototype State consisted of 32 districts. The chart I am presenting shows only every other district. The richest district is about seven times as rich per pupil as the poorest district. These computations are based upon weighted pupils where we have taken into account the differences in needs of children.

In testing alternative models, we assumed that a legislature had decided to provide $800 a pupil and was examining different alternatives. This is too low a figure but it will serve for purposes of illustration. Our prototype State had 1 million pupils. If the legislature of the prototype State is to provide $800 per pupil, its problem is to examine alternative methods of raising $800 million.

In the prototype State, it would require $32\frac{4}{10}$ mills on the true evaluation of property to get $800 million. If the legislature used that method of raising $800 million, the richest district would have seven times as much money per pupil as the poorest district assuming all made the same effort. Of course, no State will do that. New Hampshire is the closest State we have approaching it. A *Serrano*-type court would immediately throw that model out.

Let us look at the next thing the State could do. The State could use a flat grant model providing approximately $350 of State funds per pupil in all districts and then let the local district levy 12 mills. This would raise the $800 million desired but the richest district would have about twice as much money per pupil as the poorest district.

If recent court decisions are upheld by the Supreme Court of the United States the courts would not sustain this model because the kind of education program that children would have would be a function of the wealth of the district.

Let us take the next slide. It shows an equalization model similar to that used by 42 States. Under this model, districts would still levy 12 mills but 5 mills would be charged back and there would be 7 mills local leeways.

You see there are still broad differences there because of the local leeway. The courts would probably hold that unconstitutional. It looks more like Utah looks at the present time.

Let us take the next slide. Under this model we charge up 10 mills local effort and subtract it from the cost of the program, and leave 2 mills local leeway. We don't know whether the courts would sustain it or not. That is equivalent to what ACIR recommends and the President's Commission. That is about 10 percent local effort. The rest of it is from other sources.

By the way, we don't object to that ourselves; that is the national educational finance project. We think it is a possible alternative. Still it is in doubt whether the Federal Government would permit that or not.

Mr. Meeds. Wait just a minute. The Federal Government would permit it?

Mr. Johns. I mean the courts.

Mr. Meeds. All right. Thank you.

Mr. Johns. Excuse me. Thank you, Mr. Congressman.

Now, here is another model. This has been recommended by the Fleischmann Commission, except it is not exactly the same amount of money; I think they recommended about $2—State property tax, you know—then putting it in the State Treasury.

This model shows $1.20 State property tax levy with no local levy.

Or you could let districts levy $1.20 and subtract what they get from the State allocation. Either of these models would meet the requirements of recent court decisions because the quality of a child's education would not depend upon the wealth of the district.

The next slide, no property tax in it, that is the $800 million we are talking about all provided out of State nonproperty tax revenues. That would also be upheld by the courts because it provides for complete equalization.

Mr. Bell. That is from all sources?

Mr. Johns. From all sources. It might or might not have property tax in it. Some States don't levy State property taxes.

Mr. Bell. But it could have property tax?

Mr. Johns. Yes; it could.

Coming back to something your committee is interested in, we would hope that we would have general Federal aid that could be thrown in to supplement State aid.

The States could be authorized to allocate general Federal aid in accordance with the State formula, provided the State would be required to use a formula which would meet the requirements of recent court decisions. As a matter of fact, I don't think that would be an undesirable Federal control of general aid.

You wouldn't need to put any control over Federal aid if the Supreme Court upholds the recent decisions. The State would have to meet the requirements of the court to equalize educational opportunities within the State, and that is all you would need.

Here is another model that is proposed. You have heard of it—"power equalizing"—as proposed by Coons, Clune and Sugarman. As a matter of fact, it was discovered, or recommended, 50 years ago by Updegraff, professor at the University of Pennsylvania, in a study of New York State, in 1921. That model is to make the amount of money dependent upon the local effort. Under this model, all districts regardless of wealth, making the same local tax effort, would receive sufficient State funds to have the same total revenue available. Wealth is no longer a factor under this model. For example, let us assume that district A has 10 times as much wealth as district B. For every $10 that district A raises, it would receive $1 in State money. For every dollar that district B raises, it would receive $10 of State money. Under this type of formula, the poor district making the same tax effort as a rich district would have the same total revenue per pupil available from State and local sources.

Mr. **Meeds**. This is so, Mr. Bell, and I think we ought to equalize that.

Mr. **Bell**. I said I didn't come from Beverly Hills.

Mr. **Johns**. But that would equalize it. We don't believe that will stand eventually a court test. We think that eventually the courts would say you could not make a child's education depend upon the aspirational level of the parents or moods of parents. For instance, there are certain districts where private schools have been established primarily to avoid integration. The people in such districts may vote against local taxes to avoid supporting public schools. Making a child's education in the public schools dependent upon local effort in such a district would not make sense.

I directed a doctor's dissertation some years ago and it was found that the higher the educational level of the voters, the greater the local tax effort for schools. Therefore making State aid dependent upon local effort disequalizes educational opportunity.

We think the so-called power equalizing or percentage equalizing, modelmaking a child's education dependent upon local effort, would be declared unconstitutional eventually. It may take the courts time to do it, but eventually they will so rule.

We think each State will have to equalize educational opportunity. They are going to be compelled to do so. They have two choices open to them: They will either level down the rich districts and level up the poor ones and wind up with a dead level of mediocrity, or they can level the poor districts up to the quality level of the better financed districts.

We do not believe any State wants to level down. We have met with State legislators from a number of States recently and have found no sentiment in the legislatures to level down. The opposition is tremendous to that. They do not think even the best schools in their States are too good for their children.

I am not talking about odd districts where they are spending $14,000 a pupil on one-teacher schools with maybe one student in it. I am talking about expenditures where districts are sizable. The States do not commonly have affluent districts of reasonable size. Even Beverly Hills' expenditures of some $1,400 a pupil in 1968–69 was not an extravagant expenditure. If you level up in California to $1,400 ,you wouldn't have an extravagant figure.

We believe that there is going to be a tremendous demand in every State to level up—rich States as well as poor States.

So we used to argue 40 years ago, when I first entered into the study of school finance that we needed Federal aid only to equalize educational opportunities among the States, to give aid only to the poorer States.

Perhaps you are not old enough to remember the older Senator Taft from Ohio, a very able man, and he advocated to giving Federal aid only to the 18 or 19 poorest States and no others. He argued that the rich States didn't need Federal aid. That idea won't work today, because every one of the States, from New York to California, will have to equalize educational opportunities. They are going to have to level up and they will need both State and Federal funds for this purpose.

But we also have wide differences in educational opportunities among the States, so we need Federal money on a general aid basis for two basic reasons: One is to equalize educational opportunities among the States; the States like Mississippi, Alabama, and Arkansas need to be brought up. And then we need in every State to equalize educational opportunities within the State.

We made some projection of what amount of money it would take, what proportion of the budget it would take to accomplish those two main purposes. It is not just a shot out of the dark but we studied various alternatives, and, in order to give all States enough aid to help them to equalize, level up to meet the court decisions and also equalize educational opportunities among the States, it would take about 30 percent Federal revenues—30 percent of the budget, we believe—to realy accomplish the two purposes. Otherwise, we couldn't accomplish both of them.

Then we think that local school districts should not put up—we agree with the President's Commission and ACIR on this—more than 10 percent of the total budget.

Mr. **Bell**. Should there be a ceiling?

Mr. **Johns**. Yes; I would put a ceiling on it.

Mr. **Bell**. Ten-percent ceiling?

Mr. **Johns**. Yes, a 10-percent ceiling, and that is my own personal preference, and some of my group would go as high as 15 percent and some less than 10 percent, and some would say zero. The things I can report to you are sort of a consensus, and let us say 10 percent is more a consensus than a ceiling.

The courts may require even that 10 percent to be equalized within the States on a percentage-equalizing basis. That is what has been recommended in New Jersey, to allow a local leeway supplement of more than 10 percent but equalize it.

Mr. **Bell**. I have to leave and will be back.

Mr. **Johns**. Well, this finishes the presentation. If you have any questions, we will be happy to answer them.

Mr. **Pucinski**. We are very pleased to have this information. Of course, you have got a tiger by the tail in trying to deal with this whole program of financing.

I was wondering if you could elaborate. You have talked about massive Federal aid to eliminate fiscal variations among the States; how, precisely?

Mr. JOHNS. Will you please talk a little louder?

Mr. PUCINSKI. Yes.

How, precisely, do you propose we provide Federal aid to eliminate the fiscal variations among the States?

Mr. JOHNS. There are various alternatives. Let us assume that you provide general Federal aid in the amount of $15 billion annually not all next year, but in stages. Usually the Federal Government does that.

I would say there are two or three ways to do it—half of it on an equalization basis and half of it on a per capita basis. Or you could put $10 billion of it on a per capita basis, and we will need maybe $5 billion on an equalization basis; any one of these formulas would do it.

As a matter of fact, you may be surprised to hear me say this, but there is considerable equalization if you just distribute it all on a per-pupil basis because the poorer States pay in less per pupil and get back the same amount per pupil. Of course, if you provide more money per pupil in the least wealthy States for at least a part of the program, it would provide more equalization.

Mr. PUCINSKI. I think one reason why we have problems in American education is because we failed to recognize mobility of this country. We are probably the most unique country in the world and more people move in America than any other country, and about one of four of our people move every year.

I hear people talk about equalization, and it is as if we condone different educational standards in different parts of the country. It seems to me that the approach that education takes recognizes the mobility ought to be a national floor feature. I am not at all persuaded that $1,200 may go further in Arkansas than in Chicago, because Arkansas probably needs to go further in many respects, although I am not quite sure it is correct when you look at the flight from the inner city schools in big cities.

But rather than the equalization approach, wouldn't a more logical approach be to adopt a national floor of, let us say, $1,200 for every child in the public schools in this country and then develop a Federal aid program that would help local commmunities reach that $1,200 floor or whatever is the figure that we arrive at?

Mr. JOHNS. We could not quarrel with that; we proposed it as one of our models. We considered the political feasibility of the various models. You propose a $1,200 floor and require State and local effort to be subtracted from it on an equalization basis. We would recommend it as a possible alternative to be considered. It might be difficult to pass it through Congress.

Mr. PUCINSKI. It seems to me we ought to be addressing, then, ourselves to the problem of educating the Congress on what we need. I agree with you that this is probably the greatest single thought that we have with all of these educational programs—the political considerations.

We have here on the books a program, Public Law 81-874, which is probably the most lopsided, inequitable method of distributing Federal money of any program on the books.

Mr. JOHNS. We noted that.

Mr. PUCINSKI. But yet, because nobody around here wants to shoot Santa Claus, you can't change that bill no matter how hard you try.

Mr. Nixon has proposed restructuring of the bill, and Mr. Johnson, and Mr. Kennedy, and Mr. Eisenhower, and yet we had very few witnesses before our committee who supported the President's position and we probably had 60 or 80 violently opposing it because it might mean taking a few dollars out of their congressional districts.

There is one thing about the Congress: Nobody wants to take any money out of their district.

Mr. JOHNS. The worst thing about that bill, somebody slipped in there some years ago a provision that a State could not charge that against the local district, in distributing its equalization funds. So what you have is, districts are made artificially rich by the subsidy.

For instance, Arlington, Va., and Montgomery County, Md., both rich districts but because they have so many Federal employees they both get huge subsidies. We agree with you.

Mr. PUCINSKI. This is why, in approaching the whole question of financing of education, I thought we ought to, once and for all, get rid of this notion that there has to be different economic standards. I know there are communities who have less ability to pay for good education than other communities, and we ought to find some way of helping these communities, but it seems to me we ought to start out with a concept that every child in the country ought to have an equal opportunity for a good education. As far as I know, the only way you are going to do it is through some sort of a national floor.

Mr. JOHNS. Our own studies, indicate that cost differentials should be taken into consideration if you establish that floor because the percentage of the disadvantaged and high-cost children varies from State to State, and data would have to be gathered to establish differentials. If you establish that floor, it should be on the basis of weighting the pupils rather than just unadjusted pupils.

Mr. PUCINSKI. You talk about shifting cost of welfare to the Federal Government: the States would still then need Federal aid. How much? I mean, what is the relationship between the cost of the public aid programs and the needs of the States for education? Do you have a study on that?

Mr. JOHNS. No, we have no study on welfare—I know the ACIR recommends the welfare program be assumed by the Federal Government, and it may well be a good recommendation; we don't know, because we didn't explore it: but we know this: that unless there is—and I agree with you—some sort of national standards set for education in some way or another, we will still have these difficulties.

And also—this may be a prejudiced position—but we believe that it would be better, when Congress appropriates money, to appropriate it for general Federal aid to public schools rather than having revenue sharing where it can be given by legislatures to the local governments or anything else they desire.

Education is a compelling interest of the Nation. Since it is a compelling interest, we think there ought to be that consideration.

As far as categorical aid is concerned, a large number should be consolidated into block grants. However we are not recommending that block categorical grants be abolished.

Mr. Pucinski. Do you think we have to find some way of financing Federal aid to education other than getting it out of existing resources?

Mr. Johns. Of course, it depends on a good many factors, as you well know. We hope and have been dreaming that the war would get over with one of these days and we could take that money which is going into the war. I know everybody is counting on that money, even after the war is over with, for various other purposes, and we recognize there are other needs of the Nation besides education—for instance, pollution control, welfare that you spoke of, transportation—but it may require additional revenues.

Mr. Pucinski. Let me ask you this: The HEW spent $2 million on this study, is that correct?

Mr. Johns. Yes, sir.

Mr. Pucinski. I have never heard the President refer to this study. He has talked about various other studies, including the National Commission on School Finance that he referred to in his most recent speech, in Philadelphia. Has anybody in the White House paid any attention to your findings and recommendations in trying to formulate some Federal policy on school financing? Do they even know that your study exists?

Mr. Johns. I think they do.

By the way, I was told the President did refer to this in one of his talks. I didn't hear it.

Mr. Jordan. Yes; I think in one television address, he talked about the problem.

Mr. Pucinski. He talked about referring the whole matter to the Commission on Intergovernmental Relations.

Mr. Johns. Yes.

Mr. Pucinski. I would think, as long as we spent this much money on this study, that you people ought to have some input to whatever the Federal Government comes up with in the way of recommendations. You know that the President's Commission report, so far at least, dumps the whole problem into the States and very carefully avoids any Federal responsibility. Now, that seems to be pretty much contrary to what you are saying.

Mr. Johns. I would say, being frank about this thing, there are two things we differ on with the President's Commission, first, we are much more specific about the share that we believe the Federal Government should provide; and the second, we do not recommend public funds for private schools. We did not make any study of the private education. It was not within our province.

But ACIR recommends essentially the same thing as the President's Commission; it would be the responsibility of the States, and the recommendation of 10 percent local level financing, I believe, is not too far different. The major difference between our report and the President's Commission report is the share that the Federal Government should provide.

Mr. Pucinski. I would suggest perhaps another major difference: that you look at it as professional educators looking at the educational needs of the country without regard to the politics in the matter. I have the feeling the President's Commission has been told this Government is broke, bankrupt, and there is not going to be any money anywhere around, so they neatly dumped the problems into the State governments even though they are faced with the same financial crisis. I must tell you that I see the heavy hand of the palace guards in writing that Presidential Commission report.

It is inconceivable to me the Presidential Commission could be so oblivions to the fact the State governments do not have the resources. Their recommendation, as you know, is just to turn the whole thing over to the States. They talked a lot about restructuring the educational system, but when it came to addressing themselves to the main thrust, financing, they very neatly ducked it.

Now, it is my understanding there is going to be another report on financing coming from the Advisory Commission on Intergovernmental Affairs. Am I correct on that?

Mr. Johns. Yes.

The President's Commission was fully aware of our studies. We invited Norman Karsh to attend our meetings, and he did. He has faithfully attended every meeting he had an opportunity to. I was invited also to make a presentation to the President's Commission, and I know Neil McElroy and have known him for years, since he was Chairman of the White House Conference on Education in 1955.

Mr. Pucinski. Has he attended any of the meetings?

Mr. Johns. No.

Mr. Pucinski. Was he aware of your findings?

Mr. Johns. Yes; we furnished them to the committee. Then, by the way, Bill Myers, a member of ACIR to which the report of the President's Commission has been referred, was also on our advisory committee and attended our meetings. So the advisory Commission on Governmental Relations is fully aware of our recommendations.

Mr. Pucinski. I wonder which of the palace guards told the Presidential Commission to ignore your findings. Would you have any speculation on that?

Mr. Johns. We don't know about a thing like that. Our relationship has been as I have described.

Mr. Pucinski. The thing I find incredible is here is $2 million of the taxpayers' money spent on a study, and you made a pretty good presentation, which, in fact, was a presentation from an educational professional standpoint, and yet the President's Commission just completely ignored any of your recommendations and went off in the wrong direction, and I can't help but feel it must have been a political decision and nothing else.

Mr. Johns. We are getting a great deal of contact with chief State school officers, and the State legislatures. We have been invited to come to State after State meetings and are disseminating our findings. Every State legislature in the Nation has a copy of "Future Directions to School Financing." We have had much correspondence and met with various committees of State legislatures. So we have had much more contact with the State legislatures than with Congress or the President's staff.

Mr. Pucinski. I think the way the executive branch of Government functions, they commission a study and, if the study does not come out the way they want it, they promptly bury it. The executive branch reminds me somewhat of the ancient people who gave the first expression of free speech; any citizen could speak out on any subject on the village square but, before he spoke, they placed a noose around his neck and, if they didn't agree with what he said, they hanged him. I have a feeling that is about the way your commission is treated by the White House.

You came up with a good report, but it does not fit into their $10 billion deficit, so they neatly shoved you off to the side and went their own way. Is that a fair appraisal?

Mr. Jordan. The one thing they picked up out of the report is the cost differential concept, differing kinds of children with differing needs necessitating different levels of expenditure.

Mr. Pucinski. They couldn't very well ignore it and, since recognizing it didn't alter the drive, saying, "Here is the problem, and the States have to solve it."

When you consider the Federal Government collects 64 cents out of every dollar of taxes and pays only 6 percent for the cost of education, whereas local governments collect only 17 cents of every dollar and pay 54 percent for the cost of public education, it seems to me absolutely incredible that a Presidential Commission would not see this inequity and disparity and address themselves to a more firm position of the Federal Government's assuming a larger share of the cost of education.

But that part of your report they conveniently ignore; is that right?

Mr. Johns. We don't know. Obviously, we could not make the report for the President's Commission; they had to take whatever inputs they could and make their own judgment. We made our judgment, and no one controlled us at all. We had absolutely no pressure brought on us by anyone.

Mr. Pucinski. But you are working for the same guy.

Mr. Johns. Yes.

Mr. Pucinski. In other words, as far as I know, the President picked the Secretary of HEW, and they are part of the executive branch, and HEW commissioned you to do this study, and you come up with a series of findings and recommendations and, because you don't fit into the pattern in the palace command, they just neatly shunt you aside.

I just don't understand that. If they spent $2 million of the taxpayers' money for the study, I can't understand why the findings in your study are not reflected in the Presidential Commission report. Would you venture a guess why?

Mr. Johns. No, sir, I would not venture a guess.

Mr. Pucinski. Well, we have the economist for the minority here, and she might ask a question.

Miss Banzer. I think it is fair to say Dr. Johns did have considerable input into the Commission's report. Mr. Karsh did attend the NEFP meetings and Dr. Johns and the NEFP staff attended our Commission meeting. Most importantly, just about all of the statistics in our staff reports came from the material that NEFP gathered.

Now, it would be my feeling that perhaps the Commissioners drew a different conclusion from the statistics than the NEFP study did.

Mr. Pucinski. That is obvious.

Mr. Johns. Here is what we stated—and I ask you to open volume 5 there and look at chapter I. Although we published 20 volumes, including satellites, we had reams of statistics, and the New York Times said we had kitchens full of data in our apartments but, when it comes to final judgment on things, you cannot make your basic recommendation on the basic statistics and data banks, but it is based on your political philosophy or human philosophy, and we stated our philosophy.

As we interpret the data, you will note that first, we believe in equalization of educational opportunity, and we believe education should not be a function of the wealth of the district. We believe it should be not only a function of the wealth of the State but also of the Nation. If you hold one belief why can't you hold the other? We agree with you absolutely on that.

Secondly, then, we believe that the education in order to achieve the American dream, should break down barriers between classes and provide for social mobility. You cannot do it with inferior education in sections of the Nation. That justifies Federal aid.

We also, you will note, believe in an equitable system of taxation and equity for taxpayers.

All of those beliefs, when we put them together, constitute our basic philosophy; when we interpreted the data, we could make no other recommendations, and there is no way in the world—let me tell you this—no way in the world you can develop a school financing formula that provides equity for the taxpayers in the Nation and equity for children without broad Federal participation and broad State participation; there is just no other way. Any other recommendation is futile.

Mr. Pucinski. I am grateful to you for your frank and forthright statement. That is why I am led to believe that when they commissioned you, they tossed a coin and said, "Heads, we win; and tails, you lose." Whatever you did they accepted, as you know, a very impressive work, but that is as far as it went.

This is, of course, what distresses me; you know you have a very prestigious commission and you spent $2 million to do a good job and pulled together a good case, and then somebody in the White House looked at the politics of the thing and said either they are not ready or they can't do it, one or the other.

I had the strong feeling, though, after listening to the President's speech in Philadelphia, that you get the feeling that the 1972 election scenario calls for some spectacular launching somewhere, maybe later in the campaign, on a massive program of Federal aid to education with a promise that next year, after the November election, would be a good time to consider it.

I don't mind telling you, as I watch the mess unfolding in this country, like most other people, I, too, am losing great faith and hope in this administration's coming up with a meaningful program. Here is a perfect example of $2 million in taxpayers' money spent on a report and a study, and you come in with a good recommendation, and that is just swept under the rug. And the Commission comes out with the report and says: All of this ought to go to the States.

Do you have something to add?

Miss Banzer. I would like to say that this subject does involve political philosophy and while this is certainly a fundamental difference it is something that should be considered. Perhaps the States can resolve their own problems.

For example, Oregon attacked their school finance problem directly, by coming out with a proposal for a massive revamping of the existing school finance program—and we have not been under a court order—but Governor McCall presented a three-point program to shift from the local property tax to a way which they think is equitable. We have taken the initiative in our own State to attempt to correct a problem.

I don't think the taxpayers of Oregon particularly want their tax dollars going to New York and Georgia when Oregonians have accepted the burden of taking corrective measures. If we can take care of our problems, perhaps the rest of the States can also do it. They felt that, in view of the evidence presented, there was substantial reason to believe that the States could meet their own problems. I feel my example of Oregon indicates the validity of this. I think this is what the Commissioners concluded.

As far as the makeup of the Commission staff, if you want to get into partisan politics, it is noteworthy that the staff, with the exception of three people, were Democrats. However, the Commissioners listened to the staff and the staff reports, and I don't feel partisan politics entered into it, but rather a concern for the educational needs of our country.

Mr. PUCINSKI. The fact of the matter is whatever is the political makeup of the staff, the word obviously came from the White House, "Don't shift this to the Federal Government at this time." Apparently the Commission said, "OK; you are the coach, and we will follow the signals."

So here you have this Commission with $2 million of taxpayers' money and a very exhaustive study, and I don't know if Democrats or Republicans work for the National Educational Finance project.

Mr. JOHNS. We have some of both.

Mr. PUCINSKI. But here you have a group of educators who come up with one set of findings, and they do it on the basis of educational needs irrespective of any political considerations. Then you have a Presidential Commission that comes along with a report which, I think, was a huge disappointment to everybody in terms of a financing effort.

There were very excellent things in the report on restructuring educational concepts, and I share those views, and I think maybe they did a good job, but when it came down to the nitty-gritty of "How do we bail out the American public education system from bankruptcy?" the report, I think, kind of chickened out.

Miss BANZER. The only thing I can say, as a former staff member of the President's Commission and having sat in on the Commission meetings and deliberations, I do not feel that partisan politics were a consideration. I can assure you that the recommendations were not predetermined by a decree from the White House.

Mr. PUCINSKI. Well, that may be very well, but the fact of the matter is—and here you have the Presidential Commission making one set of recommendations and the National Educational Finance project making another set of recommendations—when you look at the manner in which the National Educational Finance project arrived at its recommendations, based on a very thorough, probing, searching examination of all of the alternatives and needs, you find here a highly professional presentation by the National Educational Finance project and, except for one little segment which was so obvious that the Commission could not ignore it, the Commission totally sets aside the findings of the National Educational Finance project and comes up with a literally meaningless recommendation that "Yes, we have grave problems in America, but the States must solve them."

With all due respect to Oregon, I am not too sure how my Governor is going to be able to absorb the cost of education if the district court orders the State government to take over the whole cost of financing education, as has been done in other jurisdictions.

So that this is a point that we make here; we see here an excellent example of two commissions making recommendations, the one that has based its findings on a professional evaluation being swept aside for political considerations; and, while I have gotten used to lots of things being done for political means and necessities by this administration—I guess others have done the same and, I am sure, the same thing has happened with the Democrats—but it would seem to me that a subject as important as education, we could put partisan politics aside and address ourselves to the real need, and I don't think we have done it. At least I don't think the Commission has done it.

Well, Mr. Johns and Mr. Jordan and Mr. Alexander, is there anything you have to add? Mr. Alexander had to leave—Dr. Jordan might have something.

Mr. JORDAN. I don't have anything to add at this juncture; thank you.

Mr. JOHNS. We tried to look at education nationally. We know a great many of the problems of the northern cities originated in the South and in the mountains.

I went to Alabama in 1928 and I found some rural schools had been operating for only 3 or 4 months. We still have a great deal of differences in educational opportunities in the Nation. You cannot control the flooding of the Mississippi by leveeing the delta. You must start with the headwaters and the tributaries.

Some have thought that all we had to do was take care of the problems of the big cities. Well, that is inadequate, because we have to take care of what is causing those problems in the big cities.

So we believe that there has to be a national approach to education and it requires Federal aid to be provided to every State to equalize educational opportunities. It is not an easy task or a small task.

Mr. PUCINSKI. I note one other question that comes up in the answers, because I found it difficult to understand some of the statistics that were used in dealing with the problems, but on page 17 of your condensed version of Future Directions for School Financing, you list a wide range of differences where citizens in some States provide a larger percentage of net personal income to elementary and secondary education than those of other States. For instance, you rate New Mexico as No. 1.

Mr. JOHNS. Yes

Mr. PUCINSKI. There they spent 8.9 percent of net personal income for elementary and secondary education. Your chart shows that Illinois ranks 45th, with 5.39 percent

Mr. JOHNS. Those were the 1968–69 data.

Mr. PUCINSKI. And I wonder if you would be good enough to explain to us, because one of the things I don't quite understand is whether that is really a true reflection. I would imagine that New Mexico has a much lower per capita income than does Mississippi. You ranked Mississippi as No. 5, and you say that Mississippi con-

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tributed 7.84 percent of net personal income in 1969 for elementary and secondary education. But I wonder if this tells the story.

One would get the impression, then, that the people of Illinois are not making a significant contribution toward education. But when you look at the net income in the State of Illinois as against the net income of New Mexico and Mississippi, Illinois spends a great deal more on education, I imagine.

Mr. Johns. That is right. What Illinois could do with a 5.39 effort is to provide a good deal more money for the schools than New Mexico could with a higher effort. We computed net income for each State by starting with personal income reported by the U.S. Department of Commerce and subtracted in each State what was paid in Federal personal income taxes and also subtracted $750 per capita for survival. What is left is net income available to the States.

You may find this effort figure a higher figure than you would find in some other studies. It is a net figure—we assume you couldn't levy taxes for education until you paid Federal taxes, and you also had to live, at least eat. We might have used a bigger figure for survival. The high effort figure for New Mexico does not mean they provided better school but it means they just made more effort in relation to their ability.

Mr. Pucinski. But, you see, these figures are misleading in that they would have one believe, if you look at the table, that the people of Illinois really are not making as great an effort in providing education as a lot of people in New Mexico and ergo we ought to provide more help to them at the expense of Illinois, or, say, if you want more help in Illinois, you have to make a greater personal contribution, but the fact remains that Illinois undoubtedly pays a great deal more in Federal taxes than does either New Mexico or Mississippi.

And the point I make here is that these figures, I think, are misleading in that they would have you believe that because we rank 45th on your scale in a State like Illinois or Michigan or New York, they are not putting out the kind of effort that either New Mexico or Mississippi is, and I believe all three States are.

Mr. Johns. New York ranks 15th in effort. Any one set of figures is, of course, misleading. You have to take a whole set of figures. You look at the next table showing the percentage of State and local taxes allocated to elementary and secondary education and you see Illinois ranks 10th. You rank pretty high on that measure.

That is one trouble with this condensed version, because it just gives a fraction of the view. You will get a much better view, a more complete view, if you look at volumes 4 and 5, too. I agree with you, any one fragment of information will not help you to draw any conclusions.

Mr. Pucinski. I would like to present to you a series of questions we would like to have you elaborate on for the record.

Mr. Johns. OK.

Mr. Pucinski. Will you be good enough to send us back the replies, because they are technical, dealing with the report, and, if you don't mind, I will give them to you and, at your leisure, prepare a memorandum of reply.

Mr. Johns. Yes.

Mr. Pucinski. We will add them to your testimony, and that is because I think the replies require a good bit of thought, and I will give them to you now. Please be good enough to send them to the committee, and they will be added to the record here after your statement.

(The questions and the memorandum of reply to be furnished follow:)

NATIONAL EDUCATIONAL FINANCE PROJECT,
Gainesville, Fla., April 24, 1972.

Hon. ROMAN C. PUCINSKI,
General Subcommittee on Education, House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR SIR: On April 18, 1972, at a meeting of the General Subcommittee on Education, House of Representatives, you submitted a list of questions to me and requested me to give the position of the National Educational Finance Project staff on these questions. Following is a list of those questions and our reply to them.

1. Question: You seem to recommend massive aid "to eliminate the fiscal variations among the states." Is that correct and how much do you recommend?

Answer: The National Educational Finance Project does recommend massive federal aid to the public schools, not only to eliminate fiscal disparities among the states but also to equalize educational opportunity within each state. A number of recent court decisions, for example, *Serrano v. Priest* in California, *Rodriguez v. San Antonio* Independent School District in Texas, *Van Dusartz v. Hatfield* in Minnesota and *Robinson v. Cahill* in New Jersey have declared that a system of financing public schools which makes a child's education a function of the wealth of the district in which he resides is a violation of the equal protection clause of the Fourteenth Amendment. If these decisions are upheld by the Supreme Court of the United States, the systems of financing education in forty-nine of the fifty school systems of the United States will probably be held unconstitutional. This would require each of these states to equalize educational opportunity among the school districts of that state. Legislatures will then be faced with the policy decision of whether to equalize education upward or downward. We do not believe that legislatures will equalize education downward by taking money away from school districts that have above average financial support and giving it to districts that are less well supported.

We believe that state legislatures will be faced with the necessity of obtaining new revenue either from state taxes or by general aid from the federal government. Most state governments are already in serious financial difficulties and all states will need federal aid in order to equalize education within their borders if they follow a policy of equalizing upward. Furthermore, the states of least wealth will need more federal aid per pupil than the states of greatest wealth in order to provide for variations in fiscal ability among the states. In order to accomplish these purposes, approximately 30% of all school revenue should be provided by the federal government. This would be additional revenue for the most part and not revenue to substitute for existing revenue. In terms of present school revenue this would be about fifteen billions of dollars annually. We would not recommend that the entire amount be made available the first year but that it be provided over a three to five year period in order that the states could plan adequately for the use of these additional funds.

2. Question: You state that even if the federal government were to assume all welfare costs there would still be a need for federal general aid. How much? You mention 30% at one point.

Answer: We believe that the federal government should provide about 30% of school revenue even if it assumed all welfare costs. At the present time more than one-half of all school revenue is provided by the highly regressive property tax. We need federal aid for the public schools in order to provide a more equitable source of revenue for the public schools. This is a reason for massive federal aid for the public schools in addition to the reasons given under question No. 1 above.

3. Question: You recommend construction grants from the federal and state governments. How much?

Answer: You will note in our report that we recommended that approximately 30% of all revenue be provided by the federal government, not more than 10% by local school districts and the remainder by the states. This policy should apply to state and federal revenue for school construction as well as current operating expenses. We would recommend that the federal aid for school construction be in terms of continuing appropriations to state education agencies rather than construction grants approved on the basis of application to the federal government.

4. Question: You state that "the number of dollars spent on education should be based on the educational needs of the children rather than the wealth of the school district." How do you define educational need? And do you recommend use of the "weighted pupil" technique or "adjusted instruction unit" technique in any federal general aid program?

Answer: Educational need is defined as the educational programs needed by student populations that vary in educational need. Following are types of educational programs needed by different student populations:

(1) Pre-Kindergarten children (three to four years of age).
(2) Kindergarten children.
(3) Children with various handicaps.
(4) Culturally disadvantaged children.
(5) Vocational education.
(6) Pupils enrolled in the basic programs in grades 1–6, 7–9 and 10–12.

Our studies have shown that the per pupil cost of these different educational programs vary greatly and in allocating state funds, recognition should be given to these cost differentials as well as to the variation in wealth among the districts. It would be ideally desirable to use the "weighted pupil" technique or "adjusted instruction unit technique" in allocating general federal aid to the states if such data were available in all states. However, these data are not available and it would be impracticable to apportion general federal aid on the basis of either of these techniques at the present time.

You will note that we recommend the continuation of federal categorical grants for culturally disadvantaged children, for handicapped children and for vocational education. These categorical grants provide supplementary funds for these high cost pupils. If Congress abolishes the categorical grants for these high cost pupils it should use either a weighted pupil technique or adjusted instruction unit for apportioning general federal aid. The federal government would be compelled then to require each state to report the weighted pupil or adjusted instruction units in that state computed in accordance with federal standards.

5. Question: You state that 80% of the school districts in some states "do not have sufficient enrollments to provide minimally adequate programs." What states and how many school districts altogether? And should federal general aid be conditioned on a reorganization of these districts?

Answer: It would be impossible to give an exact answer to this question without making a study of school district organizations in each state. Florida is the ninth state in population in the United States and it only has 67 school districts. Experience has shown that that number is fully adequate. Some authorities have recommended that even some of Florida's school districts be consolidated. Examples of states with excessively large numbers of districts are: Nebraska, 1,335; California, 1,117; Texas, 1,161; Illinois, 1,144.

In 1971–72, there were 16,920 operating school districts in the United States. We probably do not need more than 2,500 school districts in the United States.

Whether general federal aid should be conditioned on a reorganization of these districts is a debatable question. It is a matter of policy. The National Educational Finance Project has made an extensive study of school district reorganization, but we did not study the consequences of making general federal aid conditional on the reorganization of those districts. It would be difficult for the federal government to make equitable standards for district reorganization that would be applicable in all states. The type of district organization most suitable in a particular state varies somewhat with the history of that state. For example, the county historically has been an important unit for school governance in many Southern states. In some of the New England states the town has been the basic unit. It is doubtful that appropriate federal guidelines for district reorganization could be incorporated in a general federal aid statute. In view of the diversity of the states, district reorganiation should be accomplished by the states. The resistance to district reorganization should diminish as we approach full state and local funding.

6. Question: You state that "a national foundation program would equalize financial resources available per pupil better than any other approach." And that such a foundation program "would also tend to transfer the control of federal aid from Washington to the states."

Answer: That is our position on this matter.

7. Question: You state that the higher the level of state and federal support the greater the progressivity of the tax structure. Therefore, isn't it desirable if we want to have an equitable distribution of taxes that we have massive state and federal aid?

Answer: The answer to this question is yes. It is impossible to have an equitable system of financing the public schools without massive state and federal aid.

8. Question: You state that Title I funds, more than any other local, state or federal revenue studied, "are allocated to those districts where pupils had the greatest educational need." You also state that the Title I formula appears to "have the potential to equalize funds" among school districts within the states. Could you expound on these statements?

Answer: Our studies showed that more Title I funds per pupil on the average were allocated to those districts where the pupils had the lowest achievement and therefore, the greatest educational need for improvement. Our studies also showed, on the average, that more federal funds per pupil were allocated to those districts where the adjusted gross income per person was the lowest. Therefore, Title I funds tended to go to the districts with more than average educational need and less than average wealth.

Sincerely yours,

R. L. JOHNS,
Project Director.

Mr. PUCINSKI. I want to congratulate you for a very effective study.

Mr. JOHNS. Thank you.

Mr. PUCINSKI. There is no question that this Congress is going to have to move on this whole issue of aid to education. I think there is a real crisis in education. I believe what is happening is that the local taxpayer can no longer carry this burden. It is now abundantly clear that the local property taxes can no longer pay for fire protection, police protection, sanitation, and all of the other housekeeping chores and then provide good education on top of that.

So that we have now raised the local taxes to a point where they are confiscatory. We do have to have, in my judgment, the Federal Government playing a more significant role in financing education. I think your study will certainly help us make out a strong case for that concept. To that extent, I am very grateful to you for being with us today.

Mr. JOHNS. We appreciate the courteous treatment we received here, and we will answer the questions you submitted to the best of our ability and send them back. We have to go to Texas next week and we will reply to your questions as soon as we get back. We are making an intensive study in Texas, because of the court decision in that State. One of the things the staff of the National Educational Finance Project is doing is working with the individual States in helping them solve their problems. That is where we run into the legislatures saying, "Where are we going to get this money?"

Mr. PUCINSKI. I hope the State of Texas listens to you more than the President did. Dr. Johns, we will insert the heart of your report, chapters 8 and 10 of volume 5, as appendix A of these hearings.

The subcommittee will adjourn until tomorrow morning, to resume the hearings then.

(Whereupon, at 12 noon the subcommittee recessed, to reconvene on Wednesday, April 19, 1972.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

WEDNESDAY, APRIL 19, 1972

House of Representatives,
General Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 12:10 p.m., pursuant to adjournment, in room 2261, Rayburn House Office Building, Hon. Roman C. Pucinski (chairman of the subcommittee) presiding.

Present: Representative Pucinski.

Staff members present: John F. Jennings, counsel; Alexandra Kisla, clerk; and Cindy Banzer, minority legislative assistant.

Mr. Pucinski. The committee will come to order. We are very pleased to have this morning Mr. Joel Berke of the Syracuse University Research Corp. and Miss Betsy Levin, from the Urban Institute, to continue our hearings on the financing of elementary and secondary education.

This record is being very carefully examined by all interested parties. While all of our members cannot be here for the hearings, I am sure the record being made here this morning will be particularly interesting to our members because of the high regard we hold for the Syracuse University Research Corp. and also because of the important work the Urban Institute is doing in this whole field. So I am very pleased to welcome both Mr. Berke and Miss Levin.

STATEMENTS OF BETSY LEVIN, DIRECTOR OF EDUCATION STUDIES, THE URBAN INSTITUTE, ACCOMPANIED BY DR. THOMAS MULLER AND WILLIAM SCANLON, AND JOEL S. BERKE, DIRECTOR, EDUCATIONAL FINANCE AND GOVERNANCE PROGRAM POLICY INSTITUTE OF THE SYRACUSE UNIVERSITY RESEARCH CORP.

Miss Levin. I appreciate the invitation of this subcommittee, Mr. Chairman, to testify here today and with me are Dr. Thomas Muller and Mr. William Scanlon who have also worked on this study. So if you have any specific questions about certain aspects of this study, they may be able to answer them. If it would be useful to you, we have brought some slides that might be able to summarize some of the work we have done and to indicate some of the implications of our studies.

Mr. Pucinski. I would particularly like to welcome to the committee, Mr. Scanlon, who is a former constituent of mine. Please proceed.

Miss Levin. Our studies, part of which were done for the President's Commission on School Finance, involved a detailed analysis of nine States. We selected these States for a number of purposes.

First of all, they represent several different levels of State funding, full-State, high-State, moderate- and low-State aid, so we could see what the impact would be of States which have different State financing systems. And also they are broadly representative of various regions of the country. Our concern was really with the disparities within States although we also looked briefly at interstate disparities.

In our work, we found that really it is the differences in local revenues that cause the greatest disparities.

As you know, most of the States rely quite heavily on the local property tax to finance education and this is the cause of the inequalities.

In our studies, we looked at these States in terms of both the tax burdens, that is who is paying for education, as well as the disparities in the per pupil spending levels and we developed some computer models which would allow us to determine the impact of various alternative ways of financing education.

We subdivided each of these States into four categories of school districts, central cities, suburbs, smaller cities, and predominantly rural areas. In our States, over half of the funds for education had to be raised from local revenues, at least in the year for which we studied them, which was 1968–69.

To get some idea of why there are disparities in local revenues, although I suppose by now the committee is pretty well aware of these problems, we looked at property values and property taxes. We find that in general, central cities have a fairly high property base while suburbs and particularly the rural areas have a low property base.

Basically the reasons why the central cities have such a high property base: first of all, there is a concentration of commercial and, to a lesser extent, industrial property in the central cities. There is also a higher proportion of nonpublic school enrollment in central cities compared to other types of districts and a lower proportion of school-age population relative to the total population, largely due to the outmigration of households of child-bearing age to the suburbs.

Since property values are measured in terms of public school pupil, you see why the central city has a much higher base.

Now, central cities have a slightly lower tax rate than the average for education while suburbs have a very high tax rate relative to the other types of districts. Rural areas, of course, have the lowest tax rates.

To demonstrate why we should not solely focus on tax rates for education, we examined three States—Delaware, California, and Michigan. When we compare the central city and suburban average tax rates for education we find that generally the suburbs have higher taxes for education. But when we look at the total property tax, that for other public services as well as education, we find that although Detroit has a much lower tax rate for education, it is spending a higher proportion of its property taxes for other public services, bringing the total tax to the same level as the suburbs.

In California, we find that the central cities have a much higher total property tax than the suburbs and in Delaware there is a substantial difference between Wilmington's total property tax and that of the suburban areas, which is much lower.

So that is why we feel that you can't just look at the property tax for education, but at the total property tax.

Another area we feel is important in affecting per-pupil expenditure disparities is the difference in income levels among districts. We feel that property values do not always correspond with income levels. This is particularly clear when the suburbs and the central cities are compared.

While the property base is much higher in central cities, the per capita income is lower compared to the suburbs.

In the rural areas, income is considerably lower. This probably explains at least in part why the tax rate is so low. They just cannot afford to tax themselves at as high a rate as other districts. Indeed, we find that suburban areas with the same property value as some rural districts have a higher per capita income.

The States have recognized these differences in the capacity of districts to raise local revenues and so they have historically contributed funds to the districts. But the problems with most of the current State aid formulas, as I am sure you are well aware by now, are, first of all, that State aid is a relatively low proportion of the total education budget, so we still have substantial reliance on the local property tax, producing all the inequalities I have just pointed out.

Secondly, States such as California, as the court in *Serrano* pointed out, have a flat grant per pupil regardless of district wealth and this helps maintain the gap between wealthy and poor districts. Third, the equalizing formulas that many States have are really only concerned with differences in property value and I have just shown that there are differences between income and property values and income, I think, is an important factor in the ability of a district to raise revenues.

Fourth, most States formulas do not take account of differences in costs among different areas for the same service. For example, we find that central cities have much higher plant maintenance costs than any other kind of district, yet the formulas do not reflect this. They give the same dollar amount per pupil regardless of where he lives in the State.

Finally, most formulas do not take into account differences in student need. Vocational or handicapped students may need higher cost programs.

We examined the differences among types of districts in the source of funding as a percent of the total budget. Central cities raise the most money from local revenues, rural areas of course raise the least.

In contrast, with regard to State aid, we find that the rural areas get the most money proportionately from the State while the central cities get the least.

The Federal input in all cases is quite low. The central cities actually get more in dollars per pupil of Federal money but the rural areas as a proportion of their total budget get the most from the Federal Government.

Mr. PUCINSKI. You are now getting at the very heart of the whole problem and this is the first time I have seen it presented this way. I am just wondering would we be doing great violence to you and to Dr. Berke if we were to reschedule this hearing when I can have more members here? I would like to have the rest of the committee hear this. I think it is extremely important.

I think the whole case revolves around what you are telling us now. I apologize to you for making this suggestion, but this is really the guts of the whole issue right here and I would like to have the rest of my committee see this. What would be your judgment?

Miss LEVIN. I can't speak for Mr. Berke, but we would be delighted to come back.

Mr. PUCINSKI The record is here and we have the record, but the charts and the presentation you are making, particularly as to the role of the Federal Government, at best you have a 7.6 contribution in rural areas. I think that perhaps if it will not inconvenience you too greatly, I would much prefer that we reschedule this hearing so I can have the rest of the committee here.

I consider this perhaps the most persuasive testimony we have had on this subject. The whole presentation you have made up to now showing the real problem of the disproportionate financing of education, as you say, who pays for education, is very important.

Mr. BERKE. Mr. Chairman, is there a possibility that we could at least insert into the record the statements that we have prepared at this point so that they are available and then in case the scheduling problems don't work we will have it in.

Mr. PUCINSKI We will put your statement in and we will bring you back, if you don't mind, for the rest of the committee. This might even be a better idea because they will have had a chance to read your statement. So when you come back the next time it will go right into questioning and we will let you present these charts.

I do feel what you are presenting to us is so important that I want the rest of the committee to see this. I think it can then fully appreciate why we have to move. There are those who are saying perhaps we ought to wait until next year and those who probably want to wait another year. But I think the feeling as you say in your statement, Miss Levin, you say that in almost every part of the country education revenues are inadequate and are becoming more so at an alarming rate.

Why do the suburbs get more State aid?

Miss LEVIN. Because State aid is primarily distributed on the basis of property wealth and as our study has shown, the central cities, even though they have a lower per capita income and higher total property taxes than suburbs, do have a higher property base than the suburban average. This is one of the problems with existing State aid formulas. They look only at one measure, property wealth.

If you have a high property base, you don't get as much State money as you do if you have less property wealth. So this is basically the problem.

In terms of who pays, the issue to which you just referred, we have also analyzed the tax burden for education.

We first examined the percent of personal income that is paid for education through State taxes. Those in the $2,000 to $3,000 income group are paying less than 2 percent of their income for education through State taxes—which are a combination of State sales, State income taxes, and other State taxes—while the highest income group, the $15,000 and over income group, is paying about 2.6 percent of its income for education through State taxes.

So the overall State tax structure is a slightly progressive one. This is based on a composite analysis of all nine of our States. When we look at the local property tax structure which, of course, is the major source of revenues for education, you find that the lowest income group is paying 7 percent of its income through the local property tax for education while the highest income group is paying just a little over 2 percent.

What this means is that because of the overwhelming influence of the property tax, because the State is paying for so little of the total education budget and so much is coming from the local level, the lowest income group is paying a total of 9 percent of its income for education at both the State and local level while the highest income group is paying a little less than 5 percent. The $10,000 to $14,000 income group is paying the least.

Mr. Pucinski. The low-income group are the people paying the highest percentage of their earnings for education and I am not sure that you can make this statement but we can, that usually the poorer people get the poorest kind of education, too, even though they are paying more of their personal income for education.

Miss Levin. These findings are based on a composite analysis of all of our States. However, we find that the individual States vary in their tax structure. For example, looking at the tax burden comprised of both State and local taxes paid for education, the low-income group in Delaware is paying about 4.2 percent while in New York it is paying a little over 11 percent.

When we look at the moderate-income group, we note the gap between this group and the low-income group in a State like New York, while in Delaware and Hawaii, both groups are paying about the same proportion of their income for education.

Finally, when we look at the high-income group, again there is a tremendous gap between what the low-income people and the high-income people are paying for education in almost all of the States other than Delaware, Hawaii, and North Carolina.

In our study, we developed alternative ways of financing schools. I think it must be recognized that achieving just dollar equality is not sufficient. One of the things that should be taken into account are the differences in the cost of providing the same educational services among different areas within a State and the differences in student need which might mean higher cost programs.

We focused primarily on cost differences in our study to get a rough idea of the basis for the differences in expenditures among different areas in all our States.

Of course, the highest proportion of the total education budget, as you know, is comprised of instructional costs. Other expenditures are a much smaller proportion of the total education budget.

There is quite a gap in expenditures for instructional costs between the rural and the central city districts. Differences among these two types of districts in administrative costs are slight.

The one area of noninstructional costs that is higher in rural areas is transportation. Plant operation and plant maintenance costs in central cities are higher than in the rural areas, partly because, at least with regard to plant maintenance, the buildings are older and probably labor costs are higher in the central cities.

Just a few brief remarks comparing central cities with the suburbs. We find that central cities have higher transportation costs than the suburbs. At least in some of the cities we examined, this is because of the high cost of transporting handicapped children. There is generally a higher proportion of handicapped children in central cities than in other districts.

This analysis shows that you can't give out equal dollars if there are differences in costs.

As I pointed out, the difference is basically due to differences in instructional costs and that is largely due to differences in the education and experience of teachers. Taking Delaware, California, and Michigan as representative States out of our sample, we compared central cities in terms of their proportion of experienced teachers with rural areas.

In Delaware and California, the rural areas definitely have fewer teachers with experience. In Michigan, central cities and rural areas are about equal. Suburban areas in all of our States consistently have a lower proportion of teachers with experience than central cities.

In terms of percent of advanced degrees, you find in Michigan, which is similar to New York and to Washington, that the central city has the highest proportion of teachers with advanced degrees, and the rural areas in all of the States have the lowest proportion of teachers with advanced degrees.

What our analysis shows is that both in terms of teacher experience and education levels, you find that the rural areas are the lowest, so that even if States had uniform statewide salary schedules, you would still find the central cities, locked in through the tenure system, having to pay more money for teachers.

As you know, most of the States don't have a uniform salary schedule so you have differences in starting salaries. Just to give you an example of different salary schedules, we find that in the State of Michigan the starting salaries for teachers who have just graduated from college with a bachelor's degree are highest in the central city. Central cities may have to pay more for a number of factors: Differences in cost of living between central cities and rural areas, probably stronger teacher organizations, and perhaps for psychic factors to get them to stay in the city.

We find consistently that starting salaries are highest in central cities and lowest in the rural areas.

On the other hand, for masters degrees you will find that the central cities do not pay the highest salary. The suburban areas are paying more but again there is a sharp drop to the rural areas. We find this in all the States we have studied; that rural areas do not pay much more for a masters degree than they do for a bachelor's degree. So again, that is another area where cost differences exist.

The same phenomenon is illustrated by Delaware, where central cities pay higher starting salaries than rural areas. The drop in rural areas in terms of salary differences between masters and bachelors degrees is quite sharp compared to the central city and the suburban areas.

The other area of importance to be taken into account, other than cost differences, is differences in student need. I think Mr. Berke is going to touch on that in more detail than I am, but I will briefly touch on this issue, using Michigan by way of illustration.

When we look at the distribution of student population within our sample districts in the State of Michigan, we find that the city of Detroit has about 28 percent of the total student population while the rural areas have about 12 percent of the student population. But if you look at the distribution of minority students, a rough measure of need, you find that the central city has almost 70 percent of the State's minority students while the rural areas in Michigan have 1 percent. Again, in terms of title I students, which of course, are low income students or those whose families are recipients of welfare, you find that the city of Detroit has far more than its proportion of the children in the State—over 50 percent of the title I children. Finally, when we examine achievement scores, Detroit has a much higher proportion of students who are achieving below grade level, nearly 50 percent.

I think that sums up the factors that we feel most of the existing State aid formulas have not taken into account. While the Federal Government has recognized some of these problems in its categorical programs, the proportion of Federal aid is so small that it really doesn't offset the State and local inequalities.

The final point I want to make is that if the States were to revise their State aid formulas to equalize expenditures, taking into account all of these factors that I have just shown, unless they increase the amount of money now being spent in a State, there would be just a redistribution of existing revenues. This would mean taking a substantial amount of money from central cities and some suburbs and probably substantially increasing taxes in rural areas which our analysis has shown are low income and probably can't afford higher taxes. You are therefore going to have very real political problems unless some large amount of money comes from somewhere else.

Mr. Jennings. That is even if you have a statewide property tax?

Miss Levin. The problem with a statewide property tax is that it will probaby mean an increase in the taxes in the central city which, as I have shown, have a low education tax but have a high total property tax. With regard to the rural areas, their property tax will be increased substantially, yet with a large proportion of low income residents, this may be a hardship. So a statewide property tax won't be providing the property tax relief that many low and moderate income people are asking for now.

Mr. Pucinski. Does this type of data constitute the basis for many of the lawsuits now working their way through the courts on the disproportionate amount of money available for public education in different communities?

Miss Levin. I think that we have documented in our analysis of our eight States a substantial difference in total revenues available per pupil among the different types of districts. As I pointed out, it is basically because the States rely so heavily on the local property tax to fund education that you have these inequalities.

Mr. Pucinski. Miss Levin, your statement will go into the record at this point.

(The statements refered to follow:)

STATEMENT OF BETSY LEVIN, DIRECTOR OF EDUCATION STUDIES OF THE URBAN INSTITUTE

Mr. Chairman and members of the committee: My name is Betsy Levin and I am Director of Education Studies at The Urban Institute, a nonprofit, nongovernmental research organization. The Institute is nonpartisan and nonpolitical.

I appreciate the invitation to outline for this Committee some of our studies on school finance and their implications. With me are Dr. Thomas Muller and Mr. William J. Scanlon, who have worked with me on these studies.

PROBLEMS OF SCHOOL FINANCE

The problems of financing public elementary and secondary education are several. First, in almost every part of the country education revenues are inadequate and are becoming even more so at an alarming rate. Second, there are severe inequalities in levels of expenditure per pupil and in educational services among school districts within states as well as between states. And third, related to both of the previous problems, the tax burden for the support of public education is unequally shared.

The first problem—inadequacy of school revenues—has, until recently, received most of the attention. We all have seen the reports of cutbacks in educational services, reduction of staff, and even the temporary closing of schools because of the loss of anticipated revenues.

The cost of education has been rising astronomically over the past decade and has placed tremendous pressures on the slowly expanding local property tax system, which is the major source of education revenue in most states. This means that tax rates for schools have had to be increased beyond the point of toleration by the taxpayers, particularly low-to-moderate families. Tax overrides and school bond issues are being defeated more and more frequently.

The second problem—inequalities in the distribution of school revenues—has only just begun to receive wide recognition. This is largely due to the recent court decisions which have highlighted the inequalities in state school financing systems. Starting with the California State Supreme Court in *Serrano v. Priest*, there have now been several courts—both state and federal—which have found that state school financing systems which depend substantially on local property taxes result in "wide disparities in school revenue" among school districts, and have held this to be a violation of the equal protection clause of the Fourteenth Amendment of the U.S. Constitution or similar provisions in state constitutions.

The focus of these cases has not only been on inequalities in the distribution of revenues, but on the inequalities in tax rates as well. The courts found that often districts with low property values tax themselves at a much higher rate than wealthier districts, yet the level of expenditures per pupil in the poorer districts is still well below that of wealthier districts.

INTRA-STATE INEQUITIES: NATURE AND CAUSES

The Urban Institute's research has focused principally on intra-state inequalities in school finance. The Institute's study for the President's Commission on School Finance, which the Committee has asked me to review briefly, included an examination of school finance systems in nine states: California, Colorado, Delaware; Hawaii, Michigan, New Hampshire, New York, North Carolina, and Washington. We analyzed the nature of the disparities in per pupil spending and in tax burdens for the support of public education in these states and the factors that affect those disparities. We developed computer models which enabled us to determine the impact of alternative ways of raising revenues and distributing funds within a state on four types of school districts: central city, suburban, smaller city, and rural. Excluding Hawaii, the total number of districts studied was 649.

The reasons for the occurrence of intra-state inequalities are by now well known to this Committee. A brief summary of some of these reasons, based on our analysis of the state mentioned earlier (with the exclusion of Hawaii), follows.

In 49 states, Hawaii being the exception, the financing of the schools is a joint enterprise of the state and local districts, with only a minor contribution from the federal government.

Local Revenues.—The financing system in most states relies heavily on the local property tax to fund education. In the eight states included in our study, local revenues in the school year 1968–69 constituted over half of the revenues for education from all sources. Inequalities in revenues are generated by the use of the local property tax due to differences among districts in property values per pupil, differences in tax rates, and inequitable property assessment practices.

The disparities among types of districts in local education revenues are substantial. Central cities generally raise more local revenues on the average than any other type of district while rural areas raise the least. (However, when suburban districts are subdivided into those which had a rate of population growth between 1960 and 1970 that was below the average and those which had a growth rate above average, the slowly growing suburbs—exemplified by such wealthy residential communities as Beverly Hills, California or industrial communities such as Dearborn, Michigan—raise more local revenues than do central cities.) The amount of local revenues raised depends on two factors—the amount of local property wealth and the tax rate levied against that wealth. Central cities have the highest average per pupil property values for several reasons, including the following:

1. A high concentration of commercial and, to a lesser degree, industrial property;
2. A higher percentage of non-public school enrollment;
3. A high rate of out-migration of households (primarily white) with children of school age.

These latter two factors are significant since property wealth is measured on a per public school pupil basis. Areas which are predominantly rural have the lowest property wealth in all of the states we examined with the exception of Colorado and California.

A comparison of school property tax rates shows that suburban areas have the highest tax rates for schools. Despite this, the suburbs raise less local revenue than central cities because of their lower property values. The lowest property taxes for schools are paid in rural areas. In comparing tax rates, however, it should be noted that, where data were available, central cities included in the Urban Institute study were found to have higher total tax rates than those found in suburban municipalities, but a much larger share of the property tax in central cities is used for other public services.

Since often a large share of the district's property base is comprised of industrial or commercial property, property wealth does not always accurately reflect the income level of the district's residents. This becomes evident when central city and suburban per capita income levels are compared with their respective property bases.

Rural districts have by far the lowest per capita income of any of the types of districts. This explains in part why their tax rates are so much lower than other types of districts. Another likely reason why their tax rates are lower, however, is the fact that the cost of providing the same educational services is higher in urban areas than in rural areas.

State Revenues.—Recognizing the basic inequalities in the capacity of different school districts to raise revenues, and the difficulty that some school districts have in raising sufficient funds for even a "minimun" program, states have historically provided funds to school districts to supplement their locally raised revenues. However, the current state education aid formulas are inadequate from a number of standpoints:

1. The state aid provided is generally only a small proportion of total education costs, meaning continued heavy reliance on the local property tax. This results, as already noted, in inequalities due to the differences in the underlying tax base, in assessment practices, and in tax rates.

2. The fact that many of these formulas include a flat per pupil grant to all districts, regardless of fiscal capacity, helps to maintain the gap between wealthy and poorer districts.

3. State equalizing formulas are also inadequate. They are based on property wealth, but property wealth frequently does not correlate with individual income which is an important factor in the ability of a district to tax itself.

4. Most state aid formulas do not take into account differences in the costs among districts for the same educational service. For example, central cities consistently have higher expenditures for plant maintenance—probably due to the existence of older buildings or to higher costs of labor—than do the suburbs and rural areas. Yet state aid is based on the same number of dollars per pupil regardless of location in the state.

5. The distribution of state aid generally does not take into account factors relating to the higher cost of educating certain types of children. For example, children enrolled in vocational education programs cost more to educate because of the necessity of smaller class size and expensive equipment. Similarly, mentally and physically handicapped children require smaller class size. Moreover, states, in allocating funds, often do not take into account the distribution of educationally disadvantaged children who may need additional educational services.

Rural districts receive the greatest percentage of state aid while central cities receive the least.

Federal Revenues.—Federal funds amount to only a small proportion of education revenues in all types of districts. Central cities receive the most federal funds on a dollars per pupil basis, but as a percentage of total revenue, federal aid is a higher proportion of total revenues in rural districts than it is in other areas. In some states, when federal funds are excluded, the per pupil expenditures in central cities drop below that of the suburbs.

WHO PAYS FOR PUBLIC EDUCATION?

Another important question in examining disparities is that of who pays for the support of public education. When all nine states included in the Urban Institute study are taken together, the composite picture of the total tax burden as a percent of personal income is one that is regressive, ranging from 9 percent for those earning between $2,000 and $3,000 per year to less than 5 percent for those earning $15,000 and over. This is despite the fact that the state tax structure is slightly progressive, meaning that a greater percent of the income of high income groups is paid for education through various state taxes than is the case with the lowest income groups. The effect of the state tax structure is overwhelmed by the local tax structure, which is regressive.

However, the nature of the combined state-local tax burden for education does vary among the states from a somewhat proportional structure (lowest taxes for middle income groups) in Delaware, Hawaii, and North Carolina, to a generally regressive pattern in the other states.

COST DIFFERENTIALS AND STUDENT-NEED DIFFERENTIALS

Before alternative ways of financing schools are developed which would attempt to alter these inequalities, it must be recognized that simply achieving dollar equality is insufficient. Among the factors that must be taken into account in any school finance system are the differences in costs among districts in providing the same educational services and differences in student need, which may require higher cost programs in certain cases.

Cost Differentials.—Focusing primarily on the cost differences, our study for the President's Commission on School Finance showed that education generally costs more in urban areas than it does in rural areas. The average difference in expenditures between central cities and suburbs is $110 per pupil. Of this differential, 80 percent can be accounted for by differences in instructional salaries. When benefits for instructional staff are included, almost the total expenditure gap between central cities and suburbs is explained by differences in both salary and benefit payments to classroom teachers, principals and supervisors. The gap between central cities and rural areas, although greater than that between central city or suburban districts, is also largely attributable to instructional cost differences.

While noninstructional expenditure differences are relatively minor, there are some differences: administrative costs, on the average, are higher in urban areas as are plant operation and maintenance costs. On the other hand, transportation costs are generally higher in rural areas.

A major factor affecting the higher instructional costs found in central cities is the greater proportion of experienced teachers, locked in through the tenure system. Since teacher salaries rise with seniority, this helps explain why per pupil expenditures are higher in central cities than in other categories of school districts.

The differences in advanced degrees held by teachers in different types of districts present a more erratic pattern. In Delaware and California, the proportion of central city teachers with advanced degrees is less than in the suburbs, while in Washington, Michigan and New York, the proportion of teachers with advanced degrees is higher in the central cities.

The difference in education levels between central cities and rural areas is more consistent. Central cities have over 60 percent more teachers with advanced degrees than rural areas. As a result of both the education and experience differences between central cities and rural areas, rural districts would have lower per pupil expenditures even if a uniform statewide salary schedule were imposed.

However, in most of the states studied, there are no statewide salary schedules. In three states (Washington, California, and Michigan), central cities have higher starting salaries than suburbs, and in two other states (Delaware and New York), central cities have lower salaries.

Starting salaries in rural districts are consistently lower than in either central cities or suburbs. The most startling figures are in Michigan and California. Rural teachers in Michigan have starting salaries which are 17.3 percent lower than in the central cities, while in California, they are 12.5 percent lower. These differences are no doubt attributable, at least in part, to cost of living differentials, but they are also very probably due to differences in ability to raise local revenues, and to the presence or absence of strong teachers' organizations.

While a complete analysis of the salaries of other instructional personnel was not undertaken, preliminary data show that their salary patterns parallel those of classroom teachers—central cities pay the highest average salaries and the rural districts the lowest.

Student Need Differences.—Our studies have also shown that students which require greater expenditures are not distributed evenly throughout the state. In most of the states we examined, such students, as determined by a number of measures, are concentrated in central cities and, in some states, in rural areas as well, although to a lesser degree.

CONCLUSION

In sum, our studies have shown that there are differences in the ability of districts to raise revenues, differences in the cost of providing the same educational services, and differences in the needs of students. The present systems of financing education in the states we have studied only partially, if at all, take some of these factors into account.

One final point should be made, however. Even if states took these factors into account in revising their school finance systems in response to the mandates laid down in *Serrano v. Priest*, *Rodriguez v. San Antonio School District*, *Van Dusartz v. Hatfield*, and similar court decisions, there is one additional problem. For both political and educational reasons, the states will not be able to simply redistribute the revenues (both state and local), now currently spent in the state for education, as this will mean drastic reductions in the per pupil spending levels in many districts—in particular, central cities and slow growing suburbs. This implies that there will have to be some "leveling up," which will require substantial amounts of new revenues. Our studies have shown that in many states, the increases in current state taxes (whether income or sales and excise taxes) necessary to raise revenues on this order would be so high as to be politically unrealistic. On the other hand, a statewide property tax for education high enough to raise the revenues needed would generally mean substantial increases in the already high total tax rates for central cities and overwhelming increases in the now low taxing (and low income) rural areas and certainly would not, in those areas, provide the property tax relief now being demanded by taxpayers.

Mr. PUCINSKI. When can we have you back? This is most important and the testimony we have had was extremely good, but I think you people, and I have looked over Mr. Berke's statement here, both of you really zero in on the guts of the problem and I was wondering what is the soonest that we can have you. Is there a chance of having you next week?

Mr. BERKE. The latter part of next week would be fine. I will be in Washington Thursday and Friday.

Mr. PUCINSKI. Would Thursday morning be agreeable to you at 10 o'clock?

Mr. BERKE. Yes.

Miss LEVIN. That will be fine.

Mr. PUCINSKI. I can't tell you how much we apologize for inconveniencing you. I didn't know there would be a democratic caucus at the time we scheduled this, nor did I realize that the caucus was going to be quite so turbulent. So it took longer when I went to the caucus. I thought we would be through in a half hour and be back here to resume our hearings.

I know how busy you are and I feel that it is unconscionable to ruin a whole morning for you as we did and we hope we can make it up to you. I am so very sorry and I apologize. But I do know that I would like the rest of our committee to hear this testimony because it does seem to me like this is really the heart of the problem.

Your statement will go in the record today, Mr. Berke. Your appearance will be just a continuation of your appearance today.

(Mr. Berke's prepared statement follows:)

STATEMENT OF JOEL S. BERKE, DIRECTOR, EDUCATIONAL FINANCE AND GOVERNANCE PROGRAM POLICY INSTITUTE OF THE SYRACUSE UNIVERSITY RESEARCH CORPORATION, AND GUEST SCHOLAR AT THE BROOKINGS INSTITUTION

In the letter of invitation to testify before you this morning, I was asked to concentrate on my studies of Federal aid to education, and I shall of course be pleased to do that. However, I have also directed a number of other studies of educational finance—including an examination of educational finance and educational need for the New York State Fleischmann Commission; an analysis of Texas school finance that constituted the expert testimony in the case that declared Texas school finance laws unconstitutional; a study of the financial implications of equal educational opportunity for a U.S. Senate Select Committee; and an investigation of the likely fiscal impact of the school finance cases. On the basis of those studies, and others, I have developed a view about the way we support schools in this country that is basic to understanding the role of Federal aid in this overall system, and so I'd like to begin my testimony by briefly presenting the views and the perplexities that have come about as a result of my research activities.

INEQUITIES AND ANOMALIES OF AMERICAN EDUCATIONAL FINANCE

I find that the way we finance the public schools of America is clearly one of the great anomolies of modern democratic government. . . . In a nation dedicated to the open society, to upward mobility for all citizens, we regularly distribute educational services in greater quantity and quality to pupils who live in the wealthiest and most advantaged suburban communities, and we bestow considerably inferior education on children in many of the older, deteriorating central cities, and in poorer suburban and rural school districts.

In a society which has become increasingly mobile and migratory, where our economy is indisuptably national in character, we continue to treat education as a predominantly local function, raising the bulk of revenues for the schools from local tax sources through inefficient local tax collection mechanisms.

In a federal system which has given the most democratic and dynamic revenue resource—the graduated income tax—to the national government, we rely upon it for only 7% of school funds, turning to less drastic and more regressive state and local levies for fully 93% of all public school costs.

In a country where a consistent goal of educational reform for more than fifty years has been "equalization" in school finance, communities rich in property tax base characteristically tax themselves at lower rates yet realize far greater yields per pupil than do less favored districts which tax themselves harder yet raise less proportionately and absolutely for their schools.

In a culture which devotes more money to elementary and secondary public eduaction than to any other domestic governmental function, the way that schools are financed has until recently remained an area of vast ignorance to all but a small band of initiates, whose discussions frequently turn on such arcane matters as Strayer-Haig formulas, minimum foundation programs, teacher units, density and sparcity factors, and state sharing ratios, a patois indecipherable by the average public-spirited citizen or state or local legislator.[1]

In short, American school finance is characterized by inequity, irrationality, and by the consistent denial of equal educational opportunity. Fortunately, since the decision in *Serrano* v. *Priest*[2] this past summer, that scandal is beginning to emerge into public view and new solutions are beginning to compete for public understanding and acceptance. For example, proposals to shift responsibility for financing education from localities to state governments has been proposed by the Advisory Commission on Intergovernmental Relations, Governor Milliken of Michigan, the New York State Commission on the Quality, Cost and Financing of Education, and the President's Commission on School Finance.

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[1] See Ch. I by the author in Berke, Cambell, and Goettel, Financing Equal Educational Opportunity (Berkeley: McCutchan Publishing Corp., 1972, spring).

Proposals to weight disadvantaged or underachieving pupils in aid distributions programs have also been advocated by many of the same groups as a means of matching educational resources with educational needs. Greater recognition of the higher costs of education in urban areas and of the greater difficulty large cities have in raising money for education, despite their apparently high tax bases, are also coming in for more public understanding. Other alternatives under discussion include variants of percentage or power-equalizing formulas that utilize state aid to offset variations in local wealth. In short, the signs of a healthy debate on how best to reform present inequities are all around us.

But the costs of implementing these new systems which have been given impetus by the court decisions will be massive and the ability of different states to support them vary immensely. Expressed in per capita personal income, the fiscal capacity of the states ranges from $4,595 in Connecticut to $2,218 in Mississippi. The fiscal systems for education also show great variety. The proportion of revenues for education that come from the state rather than local districts ranges from a low of less than 10 percent in New Hampshire to 90 percent in Hawaii. Similarly, the proportion of total state and local government expenditures that are devoted to education range from 30 percent in Massachusetts to 53 percent in Utah. Some states have strongly equalizing aid systems, i.e. systems which distribute state funds in inverse proportion to the wealth of the local districts. Other states make only minimal effort to achieve that end. And finally, the tax structures by which educational revenues are raised also vary immensely. Nine states have yet to institute a personal income tax in any form, while several others have flat or proportional rates rather than the progressive rate structure of the Federal income tax. While significant progress appears to have been made in property tax administration over the last decade, individual as well as class inequities approach the scandalous in all too many states. But one element of uniformity exists among all this diversity: the widespread public notion that school taxes are too high and that little money is available for additional educational spending from state and local sources.

But despite the variety in state fiscal systems and the widespread notion, whether accurate or not that they have been stretched to their limit, any strategy for reform in school finance will cost dearly. This is true for two simple reasons.

First, it is neither politically nor administratively feasible to implement purely redistributive formulas; teachers have contracts, high wealth districts have political power. Thus slicing the pie of educational resources in a more equitable manner so that the portions of the "haves" become smaller and those of the "have nots" increase will probably occur only if it is a larger pie that is being slice. Thus part of the cost of reform is the "save harmless" provision that insures that those who would theoretically lose resources under pure state assumption or power equalizing formulas are guaranteed at least their current level of school spending.

The second component of additional costs is that associated with bringing the expenditure levels of current "have nots" up to a higher level. In short, equalizing means leveling up, and the costs of leveling up are high. When the Canadian Province of New Brunswick centralized the financing of its schools, costs nearly doubled in a single year. Maryland's experience with the full state assumption of school construction costs was similar. New York State's Fleischmann Commission estimates that it will cost $125 million in the first of a five year plan to implement a leveling up to the expenditure level of the district at the 65th percentile through full state assumption. The President's Commission on School Finance estimates that it will take more than $1 billion per year of federal incentives to encourage states to adopt full state assumption, and critics of the President's Commission Report claim, on the other hand, that such incentives would not be sufficient to encourage states to act since they would fall far short of the actual costs of equalizing in the fifty states.[3]

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[2] 5 Cal. 3d 584 (1971).

[3] Berke and Goettel, "Constraints to Meaningful Reform in School Finance," Theory Into Action, spring, 1972.

Several of my colleagues at the Brookings Institution recently estimated that the cost of bringing the school districts of each state up to the spending level currently accorded the top 10% of the pupils in the State would be $9 billion.[4] Equally costly may be the equalization of educational opportunity for large urban areas and other school districts with high need pupil population and high salary and purchasing cost levels. For example, the Fleischmann Commission recommended an additional $465 million for this purpose of New York State. On a national level, the costs of an effective program might well equal that of the costs of leveling up to the 90th percentile.

In sum, I have suggested that there is a massive need for reform in educational finance in the states of the nation and the costs of that reform are going to be high. Inevitably, one of the primary places where public-spirited citizens, politicians, and educators will turn for meeting those costs will be the Federal government. While I have come here today with no plan for meeting those costs, I do think that a discussion of the findings of the research I directed on the way that current federal aid programs are operating may provide some useful guidance to you as you go about the immensely difficult task of designing federal aid systems to cope with this emerging pressure for additional federal aid to education.

DOLLARS CAN MAKE A DIFFERENCE IN EDUCATION IF . . .

But discussions of more equitable and effective funding for the public schools can no longer center on fiscal questions alone. In the last few years there has developed a massive doubt as to whether additional funds will make any difference at all in the quality of American public education.

That vein of skepticism has gained support from interpretations, reinterpretations,—and I must add—misinterpretations of the Coleman Report and from other studies which have found that higher funding levels or compensatory education programs have frequently failed to achieve measurable gains in pupil achievement scores. If that research is taken to mean that social and economic deprivation and discrimination often cannot be overcome by relatively marginal increments in school expenditures, I can only ask "So what else is new?" But if journalists or politicians or academics think that they have proved that "dollars don't make a difference" in education, I would say they are just plain wrong. And I would say that for at least two reasons.

First, the evidence itself is mixed. Significant scholarly questions about the methods and the data of the Coleman Report have not been resolved. Without going into the details of the debate, let me say that it still goes on. Important works which do show positive relationships between added expenditures or resources and pupil achievement have received little attention.[5] Even reports of research which is billed as showing that aid programs have failed frequently yield a different picture on a more careful reading. A recent study for the President's Commission, for example, widely reported as re-confirming that compensatory programs miss their mark, contains the following chapter summary of findings which gives a considerably less negative, although clearly not enthusiastic, review of programs than the public notices might have led one to expect:

SUMMARY OF FINDINGS

The discussion of intervention programs in this section leads us to the following conclusions:

Virtually without exception all of the large surveys of the large national compensatory education programs have shown no beneficial results on the average. However, the evaluation reports on which the surveys are based are often poor and research designs suspect.

Two or three smaller surveys tend to show modest and positive effects of compensatory education programs in the short run.

A number of intervention programs have been designed quite carefully and display gains in pupil cognitive performance, again in the short run. In particular, pupils from disadvantaged socioeconomic backgrounds tend to show greater progress in more highly structured programs. (Programs that are highly structured are those in which the sequencing of the children's experience is heavily organized externally.)

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[4] Hartman and Reischauer, "Background paper on Financing Elementary and Secondary Education" to appear in Setting National Priorities (Washington: Brookings Institution, 1972 forthcoming).

[5] James W. Guthrie et al. Schools and Inequality (Cambridge: MIT Press, 1971).

There is considerable evidence that many of the short run gains from educational intervention programs fade away after two or three years if they are not reinforced. Also, this "fade-out" is much greater for the more highly structured programs, which are most unlike regular public school practice.

It would appear that per-pupil costs of successful educational intervention vary anywhere from $200 on up, with the "feasible range" for such programs falling between $250 and $350. However, numerous interventions funded at these levels have failed. Clearly the level of funding is not itself a sufficient condition for success.[6]

Or recall the recent reports of the American Research Institute review of Title I. The emphasis in the reports was that, once again, researchers had failed to find that Title I was working. But the Washington Post[7] story began with the very significant quote from the study indicating that the report was not really a review of Title I because "it has never been implemented . . . as intended by Congress." In short, an alternate conclusion from the evidence to date is that many programs have failed because they have been at the same time poorly managed and underfunded. Again, I would ask, "So what else is new?"

Rather than leading us to throw up our hands and to call for the deschooling of society, the recent evidence leads me to suggest that it is time we shift our focus from whether dollars make the difference to the more sensible questions related to what uses of resources can make a difference. And once we do that, a number of answers begin to appear. For dollars buy resources—resources like clinical ratios of teachers or parent-aides per pupil; resources like computerized approaches to individualizing instruction; resources like teacher-centers where teachers themselves may do the planning, studying, experimentation, and personal development that can make them more effective; resources that can permit schools to take inventory of and utilize other potentially educative institutions like museums or factories; resources to properly fund the kinds of research and development, both basic and applied, that has been so effective in improving agriculture and health in this country.

The schools alone cannot do all the educational work of society. The home, the neighborhood, the example of public figures like yourselves must all play a part. Wringing our hands about the ineffectiveness of schools will not help the children of this nation; but using our heads and our public resources can. I am delighted that this Committee, as evidenced by its convening of these hearings, is seeking to profit from the failings of the past as you seek to design more effective ways to allocate Federal aid to education. For more Federal financing will be needed if the promise of quality education and greater equality of educational opportunity are to be realized in this nation.

FEDERAL AID TO PUBLIC EDUCATIONS WHO BENEFITS? WHO GOVERNS?[8]

Our study of Federal aid to education was a two year project which began in the summer of 1969. It has two broad research aspects: one was to chart the flow of Federal aid down to the school district level; the other was to examine the decision-making processes, particularly at the state level but at the local and national level as well, that brought about the fiscal patterns we discovered in the first phase of the research. My emphasis today will be on the patterns of fiscal flows, although I will touch briefly on some of our findings regarding the administration of Federal aid as well.

The study examined the financial patterns of five states in considerable detail. The states were New York, Massachusetts, Michigan, Texas and California, and our sample of districts within those states included 570 local school systems. Four fiscal years were covered: 1965 through 1968. The data output was, of course, massive, but I believe I can summarize the questions we asked and the conclusions we drew rather briefly.

The basic question for investigation was this: what is the impact of Federal aid to education on the finances of elementary and secondary public school systems? More specifically, we sought answers to the following questions:

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[6] Harvey A. Averch et al. How Effective Is Schooling (Washington: President's Commission on School Finance, 1971) pp. 124, 5.

[7] Washington Post, Apr. 10, p. A3.

[8] See Berke et al. Federal Aid to Education: Who Benefits? Committee Print of the Senate Select Committee on Equal Educational Opportunity, 92d Cong., 1st sess. and Berke and Kirst, The Politics of Federal Aid to Education: Allocation and Decisionmaking (Lexington, Mass. D.C. Heath, 1972 forthcoming).

1. Are there distinctive problems of educational finance in urban areas?[9]

2. Does Federal aid favor central city, suburban, or rural areas most?

3. Is there a difference among the various Federal programs in the degree to which they aid central city, suburban, and rural areas?

4. Are school districts with low capacities to finance education being aided more or less than richer districts?

5. Are districts with greater and more expensive educational needs receiving more Federal aid than those whose needs are less severe?

6. What has been the trend over the last few years in the distribution of Federal aid?

7. What outstanding administrative problems dilute the impact of Federal programs?

8. And, most important of all, is Federal assistance consistent with the problems facing public education?

The answers to all these questions varied from state to state. Indeed one of our clearest conclusions was that the pattern and mix of Federal aid allocations varied markedly among states. But some responses to the questions outlined above can be stated with some degree of generality.

First, in the most urbanized areas of the nation we found a unique crisis in educational finance caused by a general deterioration in their fiscal situation combined with higher demands and costs—for education and for other public services—than exists in neighboring communities.

Second, we concluded that central cities were receiving more Federal education aid than their suburbs, but that the amounts were far too small to compensate for the suburban advantage in local wealth and state aid. The districts that received the most Federal aid, absolutely and relatively, were those in non-metropolitan, largely rural areas. (Table I)

Third, there were significant differences in the patterns of individual programs. Title I of ESEA was most responsible for the overall pattern noted above. It homed in our urban and rural poverty in a manner unmatched by any other aspect of the entire local-state-federal fiscal system. (Table II) Yet the patterns of other programs varied immensely and defied the development of consistent pattern or explanation. In a number of important cases, as in ESEA II and III, Vocational Education, and NDEA III, major cities have received even less aid than should have been allotted to them in view of just their proportion of the state's pupil population. (Table III) When questions of comparative costs or student need are taken into account, the pattern becomes far more discriminatory.

Fourth, if fiscal capacity to support education is seen only in terms of property value per pupil, there is little compensating effect through Federal aid. But if capacity is seen in terms of income levels, then the pattern described above does show a compensating or equalizing pattern, again due largely to Title I. (Table IV)

Fifth, if one takes the proportion of poor and minority pupils in a district as one proxy for educational need—and my colleagues and I do—Federal aid tends to be significantly related to educational need. Districts with lower income and higher proportions of non-white pupils received more aid than those with lower proportions of such pupils. Title I showed this phenomenon more than the other programs, and [illegible] and large even the other Federal aid programs in which the state has discretion as to their distribution seemed to be more responsive to educational need than was state aid. However, the magnitudes of aid were meager in proportion to the immensely costly task of education for the poor and culturally deprived. (Table V)

Sixth, over the four-year period of our study, amounts of aid received by individual school districts varied markedly and erratically. Furthermore, during the last year studied, almost half of the districts in metropolitan areas reported an actual decrease in per pupil amounts of aid.

Seventh, although questions of program administration and design are a part of a later phase of this study [illegible] did think it useful to comment on some outstanding problems at this point. ESEA money, for example, has largely gone for a variety of special and ancillary programs and has not been utilized to improve the central portion of the curriculum presented to disadvantaged children. The failure to concentrate funds on the students most in need of compensatory education has frequently resulted in a superficial veneer of fragmented programs or new equipment, rather than in an integrated, high impact intervention to achieve major educational change. Dilution of the impact of federal aid has also come about through the improper but widespread use of Title I as general aid for system-wide purposes.

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[9] A note on terminology: The terms "urban" and "urbanized" are used to refer to cities and older more densely populated suburbs that have many characteristics in common with central cities. The term "metropolitan" refers to a Standard Metropolitan Statistical Area (SMSA) as defined by the Census Bureau. We use the term "central city" (CC) to denote the core city of SMSA. "Outside central city" (OCC), "outlying areas," and "suburbs" all refer to the remainder of the SMSA. We designate all areas outside SMSA as "non-metropolitan" or "rural".

Eighth, and last, Federal aid is intended to provide strategically useful funds for educational purposes not otherwise receiving adequate support. Our study suggests, however, that the amounts of aid are simply too small in view of the problems that confront public education. At present, for the nation as a whole, federal aid constitutes less than 7 percent of public elementary and secondary school revenues. For the five industrialized states of our study (California, New York, Michigan, Massachusetts, and Texas), the proportions ranged from little over 3 percent in New York to 10 percent in Texas. In per pupil absolute terms, the amounts of Federal aid usually averaged between $40 and $70 per pupil. Given our findings on the threatening fiscal crisis facing urban education, these amounts are patently insufficient to overcome the financial problems of the urban public schools.

Besides our analysis of fiscal flows, our study also examined the decision-making process in the states related to Federal aid. Before the field research got underway, we formulated six major research assertions to be tested in New York, Massachusetts, Michigan, Texas, California, and Virginia, the six states of the second phase of our study. The assertions are listed below:

(1) There will be less involvement and political influence by the governor and legislature on Federal aid in comparison with state aid. General government executives will leave allocation decisions and negotiations to state education professionals.

(2) The influence and impact of the urban school lobby on the state allocation of Federal aid will not be significant. Cities will not form state coalitions or use existing coalitions to direct more federal aid to their needs.

(3) As Federal aid increases and states have more discretion in allocation, pressures will increase on state government from organized interests. Consequently, a longitudinal analysis would show a gradual change in interest group intensity.

(4) The state education agency will attempt to minimize political conflict and pressure by using existing state aid formulas for allocating Federal funds. Most of these state aid formulas are not adjusted very well for core city needs.

(5) Federal aid, except in a manner restricted by Federal guidelines or requirements, will flow within a State as it has in the past. Once the pattern of state distribution is established based on assertion #4, then the flow will only be altered by explicit and vigorously enforced federal regulations.

(6) SEA personnel are socialized so that they view their proper role as providing technical assistance to the LEA's, not enforcing or policing Federal requirements or setting program priorities. This rather passive, technical assistance role vis a vis the LEA's would preclude such things as setting reading priorities or restricting Title I aid to elementary schools.

While our assertions proved to be relatively accurate descriptions of the central tendencies found in our six studies there are striking exceptions. In California, for instance, the legislature has extensively earmarked the Federal aid allocations. In Michigan, the SEA has employed a needs assessment and targeted funds to urban areas to counter the state aid flow—thus contradicting our fourth assertion. The service and technical assistance role attributed to SEA personnel in our sixth assertion is not valid in certain titles (particularly Title III of ESEA). Coalitions of urban districts have not concentrated their efforts on federal aid as yet, but Detroit and New York have hardly been as unaware or passive with repect to state allocation of Federal aid as our second assertion would suggest. Large scale changes in the flow of federal dollars in Michigan and California were not related to changes in Federal regulations or enforcement policies—clearly exceptions to our fifth hypothesis.[10]

Each of the six case studies specifically analyzed the factors, weights, and formulas for state allocation of Federal funds on a title-by-title basis. Many of the titles across the states show a strong similarity to state aid formulas, primarily with respect to uniform per pupil allocations and the merger with formulas on teacher units or teacher salaries. The equalization parts of state aid usually employ an adjustment for assessed property valuation, and this was not included in Federal aid allocation formulas devised by states.

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[10] See Ch. 4 by Kirst in ibid.

CONCLUSION

American educational finance is shot through with irrationality, inequity, and the consistent denial of equality of educational opportunity. But for the first time in decades, reform is in the air. Unfortunately reform will be costly because it will require bringing low spending school districts closer to expenditures of the more wealthy and will require additional expenditures to recognize higher costs and higher levels of educational need. Increasingly, educators, politicians, and parents will be turning to the Federal government to bear those costs.

And yet there is a heavy strain of skepticism abroad, a substantial doubt that additional dollars will really make any difference at all in the quality of American education. But the evidence to date is inconclusive, with no definitive proof, one way or the other, that added resources bring about increased learning. What has been shown is that marginal funds seldom are effective and that many programs have been mismanaged, conditions which are remediable.

What has the experience with Federal aid to date shown? Studies conducted by the Syracuse University Research Corporation have examined both the fiscal impact and the decision-making patterns related to Federal aid in a sample of populous and industrialized states in all sections of the nation. The major conclusions are that Federal aid, while it has been directed to areas of greatest need such as large central cities, poor rural areas, and districts with large numbers of the poor and the non-white, has been too small an amount to significantly effect the total problems of educational finance that afflict most of the states of the nation. While Title I of ESEA is the most effective equalizing force in the mix of local, state, and Federal funding, its effect is significantly diluted by other programs which often help richer districts more than they do poorer ones.

Administratively, states have tended to deal with the distribution of Federal aid as an internal matter for the education bureaucracy. Most governors, legislators, and urban lobbies are only dimly aware of the potential for altering Federal aid flows. Frequently existing state aid formulas will be relied upon for the allocation of Federal monies in an attempt to minimize conflict and utilize familiar procedures. State department personnel seldom exercise vigorous leadership or seek to implement any but clear Congressional mandates and those regulations most stringently stressed by the Federal officials. Yet to each of these generalizations we have found a few agencies within states that have been shining exceptions, who have sought to utilize Federal aid for achieving greater equality of educational opportunity by matching Federal resources to areas of greatest need, particularly those of the educationally disadvantaged and the communities most threatened by fiscal crisis.

TABLE I.—FEDERAL AID AND TOTAL REVENUE, BY CENTRAL CITY, OUTSIDE CENTRAL CITY, AND NONMETROPOLITAN AREAS, 1967

State	Federal aid	Total revenue	Percent federal aid
California:			
Central city	$39	$684	5.8
Outside central city	40	817	4.8
Nonmetro	54	641	8.4
New York:			
Central city	68	876	7.7
Outside central city	31	1,037	3.0
Nonmetro	31	923	3.4
Texas:			
Central city	38	479	7.9
Outside central city	36	485	7.4
Nonmetro	63	535	11.8
Michigan:			
Central City	29	683	4.2
Outside central city	17	666	2.5
Nonmetro	30	629	4.8
Massachusetts:			
Central city	69	675	10.2
Outside central city	38	779	4.8
Nonmetro	(1)	(1)	(1)

TABLE II.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN METROPOLITAN AREAS, FISCAL YEAR 1967

SMSA's over 500,000 population	ESEA I (per pupil)	State discretionary Federal funds[1] (per pupil)	State aid (per pupil)
California:			
CC (N=7)[2]	$19.64	$11.44	$234.29
OCC (N=119)	11.09	8.92	275.78
New York:			
CC (N=5)	53.90	13.70	372.51
OCC (N=73)	12.35	11.44	494.06
Texas:			
CC (N=4)	19.67	5.73	174.26
OCC (N=33)	12.25	10.38	209.35
Michigan:			
CC (N=1)	37.15	7.27	238.13
OCC (N=31)	7.85	5.75	271.26
Massachusetts:			
CC (N=1)	32.33	7.18	[1] 236.00
OCC (N=26)	7.95	11.58	110.26

[1] ESEA II, NDEA III, VA, vocational education, lunch and milk.

[2] CC=central City; OCC=outside central city.

Source: Policy Institute of the Syracuse University Research Corp., project: "The Pattern of Allocation of Federal Aid to Education," supported by Ford Foundation Grant 690-0506A, Joel S. Berke, project director.

TABLE III.—REVENUE FROM FEDERAL SOURCES, BY PROGRAM, COMPARING STATEWIDE, CENTRAL CITY, OUTSIDE CENTRAL CITY (SUBURBAN), AND NONMETROPOLITAN AVERAGES

	ESEA I	ESEA II	ESEA III	NDEA III	NDEA V-A	Public Law 874	Vocational education	Lunch-milk	Total
California (168)	$13.17	$2.64	$1.68	$1.53	$0.49	$12.60	$2.28	$3.63	$38.02
CC (N=7)	19.36	1.38	.50	1.03	.18	16.05	5.57	2.88	46.95
OCC (N=122)	10.53	2.20	1.41	1.30	.45	10.90	1.28	3.14	31.21
Non metropolitan (27)	18.15	4.35	1.00	3.43	.94	11.76	6.02	5.07	51.33
New York (124)	16.19	2.20	1.21	1.48	.34	4.14	1.77	5.33	32.66
CC (N=7)	46.87	2.07	1.07	.84	.43	8.08	4.95	2.93	67.24
OCC (N=77)	17.12	2.30	1.67	9.55	.33	6.91	1.73	4.80	36.41
Nonmetropolitan (37)	15.98	2.02	.14	1.45	.36	1.73	1.20	6.27	29.15
Texas (112)	28.39	1.77	.99	1.35	.33	7.05	2.65	4.65	47.18
CC (N=6)	19.39	1.91	1.52	1.92	.06	13.20	2.35	1.72	42.07
OCC (N=38)	12.77	1.63	1.20	1.43	.30	9.27	1.32	4.87	32.79
Non-metropolitan (45)	43.48	1.74	.62	1.11	.24	3.79	3.27	5.04	59.29
Michigan (86)	12.31	.92	1.04	1.67	.48	2.83	2.07	NA	21.32
CC (N=7)	22.71	2.19	6.22	1.50	.63	0	3.30	NA	36.55
OCC (N=46)	8.17	.75	.71	1.67	.53	1.93	1.89	NA	28.19
Nonmetropolitan (28)	16.75	.75	.46	1.80	.35	5.65	2.16	NA	27.92
Massachusetts:									
CC (N=1)	32.33	0	1.11	.57	0	6.49	7.18	4.51	52.19
OCC (N=30)	8.08	1.13	2.51	1.39	.69	7.88	11.58	4.08	37.34
Nonmetropolitan	NC	NC	NC	NC	NC	NC	NC	NC	NC

TABLE IV.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN 5 LARGEST METROPOLITAN AREAS RANKED BY MEDIAN FAMILY INCOME, 1967

School districts in 5 SMSA's (suburbs ranked by income categories)	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
Los Angeles: [2]			
(2) High ($12,000 to $8,600)	0	$3.60	$239.25
(17) Moderate high ($8,600 to $7,400)	$6.00	7.71	242.04
(12) Moderate low ($7,400 to $6,400)	14.39	7.86	272.63
(4) Low ($6,400 to $6,100)	24.19	12.72	380.70
(1) Central city ($6,896)	23.05	4.92	191.53
New York City: [2]			
(5) High ($17,000 to $10,500)	7.17	7.74	338.98
(13) Moderate high ($10,500 to $8,000)	11.86	12.18	494.20
(18) Moderate low ($8,000 to $6,500)	12.88	10.68	505.20
(7) Low ($6,500 to $5,500)	17.12	10.83	584.55
(1) Central city ($6,091)	58.72	8.89	329.74
Houston: [2]			
(1) High ($8,900 to $7,200)	2.61	9.69	201.50
(5) Moderate high ($7,200 to $5,300)	4.03	10.34	179.03
(4) Moderate low ($6,300 to $5,000)	7.40	9.89	167.03
(3) Low ($5,000 to $3,700)	49.69	9.06	243.56
(1) Central city ($5,902)	14.32	6.92	172.60
Detroit: [2]			
(3) High ($14,700 to $8,700)	1.70	3.07	206.68
(10) Moderate high ($8,700 to $7,400)	6.56	6.24	261.07
(12) Moderate low ($7,400 to $6,600)	7.52	5.45	297.90
(5) Low ($6,600 to $5,600)	12.28	7.03	268.46
Centfal city ($6,069)	31.15	7.27	238.13
Boston:			
(3) High ($9,400 to $9,000)	4.31	7.81	175.20
(6) Moderate high ($900 to $7,300)	5.16	12.57	121.78
(11) Moderate low ($7,300 to $6,300)	6.65	12.13	99.73
(6) Low ($6,300 to $5,900)	14.93	9.07	118.68
Central city ($5,747)	32.33	7.18	236.08

[1] ESEA II, DNEA III, VA, vocational education, lunch and milk.

[2] Number of districts and median family income level.

Source: The Policy Institute of the Syracuse University Research Corp.

TABLE V.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN 5 LARGE METROPOLITAN AREAS, BASED ON PERCENTAGE OF NONWHITE ENROLLMENT, FISCAL YEAR 1967

Number of districts in 5 largest SMSA's ranked by racial makeup	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
New York:			
(8) 15 percent nonwhite or more	$30.89	$13.01	$413.17
(36) Less than 15 percent nonwhite	10.62	10.48	523.62
Houston:			
(6) 15 percent nonwhite or more	10.21	11.38	193.35
(8) Less than 15 percent nonwhite	19.31	8.35	188.49
Detroit:			
(5) 15 percent nonwhite or more	25.85	8.07	285.06
(22) Less than 15 percent nonwhite	5.13	5.87	272.69
Boston:			
(1) 15 percent nonwhite or more	32.33	7.18	236.08
(26) Less than 15 percent nonwhite	7.99	11.58	112.19
Los Angeles:			
(25) 15 percent nonwhite or more	15.30	8.63	296.26
(19) Less than 15 percent nonwhite	6.28	7.21	236.72

[1] ESEA II, NDEA III, VA, vocational education, lunch and milk.

Source: Policy Institute of the Syracuse University Research Corp., project: "The Pattern of Allocation of Federal Aid to Education," supported by Ford Foundation grant 690-0506A, Joel S. Berke, project director.

The author of this statement is deeply indebted to colleagues who have advised or assisted him in the research drawn upon in preparing this testimony, although they had no hand nor were they consulted in the preparation of this statement: Stephen K. Bailey, John J. Callahan, Alan K. Campbell, Robert J. Goettel, Robert W. Hartman, Michael K. Kirst, Robert D. Reischauer, Seymour Sacks, and Donna Shalala.

(Whereupon, at 12:40 p.m., the subcommittee recessed, to reconvene for further hearings on Wednesday, April 26, 1972.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

WEDNESDAY, APRIL 26, 1972

House of Representatives,
General Subcommittee on Education of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to recess, in room 2257, Rayburn House Office Building, Hon. Roman C. Pucinski (chairman of the subcommittee) presiding.

Present: Representatives Pucinski, Ford, Meeds, Ashbrook, and Bell.

Staff member present: John F. Jennings, counsel; and Cindy Banzer, minority legislative assistant.

Mr. Pucinski. We will proceed with our meeting this morning with other members joining us shortly but I don't want to tie up our colleague, Congressman Dow. So, Congressman Dow, come up to the witness chair and let's proceed. The others will be joining us as we move along. I would like to point out for the record that the text of your bill, H.R. 6521, appears at the beginning of these hearings. I inserted it in the record on the first day of hearings.

We do have your statement and will put it in the record at this point.

(The Statement referred to follows:)

Statement of Hon. John G. Dow, a Representative in Congress From the State of New York

I am pleased to appear today before this subcommittee to testify in support of the bill, H.R. 6521, which I introduced in the House on March 23 of last year. First, however, I should like to commend the memmbers of this committee for your timely attention to the pressing problems facing our nation's public elementary and secondary schools and for your efforts both to find solutions to these problems and to define a new, more important role for the Federal government in the financial substructure of our public schools.

I have followed with great interest the testimony already presented to this committee concerning the crisis in our educational system and the need for increased Federal financial aid to the public schools. The basic elements of this crisis have already been discussed in some detail: the rising costs of providing all educational services, the inequalities prevailing in the distribution of educational resources at all levels of government, the lack of sufficient resources to provide an excellent education to every student in the land. Since I introduced my bill last year, the decisions of the Supreme Court of California and Federal and State courts elsewhere in the nation—which you have also examined—have added a new urgency to the situation of our school financing arrangements.

Some of the bills under consideration here seek to assure adequate school financing and to relieve the pressures on local resources by raising substantially the annual Federal contribution to the expenses of the public schools. The appropriate level of Federal spending in support of the public schools is surely a proper and timely topic for consideration by this committee; my own bill, however, addresses a more limited Federal goal. It envisages only a limited commitment of Federal funds. Simply put, its aim is to have the Federal government provide financial incentives for the States to assume a greater proportion of the burden of underwriting the expenses of the public elementary and secondary schools. Underlying this aim is the belief that the provision of a fair and excellent system of the public schools is primarily a responsibility of the State government, under the provisions of both the Federal constitution and the constitutions of the various States. Although the Federal government and the local school boards both have important roles to play, the ultimate responsibility belongs to the State.

This belief in the primary responsibility of the State government for the provision of educational services to the children of the State has gained impressive support from many sources in recent months. In my own State of New York, as you have heard, the Commission on the Quality, Cost and Governance of Elementary and Secondary Education has recently recommended that the State government assume full responsibility for providing all non-Federal public school monies in the State. It held that full State funding was the most effective method of fulfilling the mandate of the State Constitution that the Legislature "shall provide for the maintenance and support of a system of free common schools"—while at the same time assuring that the system provide an education to all children on an equal basis. The Commission further held that the introduction of full State funding would not jeopardize legitimate State interests in maintaining local control or in providing special resources to schools charged with educating children with special educational, physical or emotional disadvantages. Nor would full State funding be allowed to result in a decline in the quality of the education provided in any of the State's public schools.

The desirability of full State funding of all non-Federal expenses of the public schools also served as the basis of the major recommendation of the President's Commission on School Finance. The Commission recommended that the States assume full responsibility for school funding—although it disagreed with New York's Fleischmann Commission in recommending that local supplements to the State-provided resources be allowed up to ten percent.

To advocate that the States—rather than either the local school boards or the Federal government—should take the greatest role in financing the schools does not mean shirking our responsibilities as members of the Congress of the United States. It does not preclude the Congress' adopting legislation which would provide a major increase in Federal funds going to the local public schools. Rather it represents a recognition that the Congress alone cannot solve the problems of the schools.

One of the urgent problems facing the public schools is, of course, the property tax, which is the only major source of revenue available to the local school boards to finance their share of school expenses. About 53 percent of school revenues are provided by local school districts, on a nationwide basis. 80 percent of these local funds are derived from the property tax, according to the figures provided by the President's Commission. Even more revealing, 95% of local tax revenues come from the property tax. This means that something approaching $18 billion is being derived each year from local property taxes for the support of the public schools. Much has been said concerning the regressivity and other objectionable features of the property tax, which I will not repeat here. But I would like to stress the obvious difficulties which would be faced if the Federal government were to try singlehandedly to eliminate the use of property taxes to finance the public schools. It would mean raising the Federal contribution to the local public schools from less than $3½ billion annually to nearly $18 billion—at the current level of education expenditures. Not only that. The need to funnel such a large amount of Federal money into the single purpose—relieving the property tax burden—might well jeopardize the funding of other Federal educational programs, programs which the Congress has chosen to establish over the years to serve the nation's special educational needs.

There is yet another difficulty with attempting to solve at the Federal level the problems associated with excessive reliance on the local property tax for the support of the public schools. It stems from the fact that different States rely to different degrees on the local property tax. In my State of New York, 47.7 percent of educational revenues came from local, mainly property tax, sources in 1970–71, but the percentage of local to total revenue varied from a high of 85.3 percent in New Hampshire to a low of 2.9 percent in Hawaii, which already has a full State funding system. Furthermore, the role of the local property tax cannot be considered outside the overall State system for financing educational expenditures—indeed, it must really be considered in the total context of State taxation arrangements. The argument that the State does not bear responsibility for local property taxes just because it does not levy local property tax millage has little force when we remember that 52.7 percent of local property tax revenues go to the schools—and that the schools are, in truth, a responsibility of the State. The State in effect determines the level of local property taxes to be levied in support of the public schools when it sets its State aid program—because the local boards will have to make up the difference between State aid and their own expenditures from property taxes. Turning to the Federal government as the major source of property tax relief overlooks the desirability of the State government's creating a considered and balanced system of State taxes which would finance all State services in an equitable fashion. The property tax can be made a part of such a State tax system. For example, the Fleischmann Commission in New York did not recommend the outright abolition of the property tax in support of public schools. It recommended that the property tax be levied and administered by the State government—and that the State set a uniform Statewide property tax levy for school purposes which would represent a fair contribution to the overall burden of providing for the schools. Beyond the uniform fair levy, the State would finance school expenditures from its other, non-property sources.

My bill is designed, then, to encourage the governments of the various States to take a close look at the systems of taxation which they are using to finance the State and local portions of their school expenditures. It would provide them with a strong financial incentive to move away from continued reliance on local revenue sources and to substitute increased State funding. In effect, the federal government would reimburse the State for a part of the additional State money spent on the public schools in a given year. The exact amount of the State entitlement to Federal aid in any one year would be determined by comparing State and local outlays in the preceding year with the comparable figures for the year preceding that; from this it would be determined how much the State share rose *relative* to the local share, and the Federal government would reimburse the State for fifty percent of this rise in the relative share of school expenses shouldered by the State government and financed from State sources. I take little satisfaction in noting that the President's Commission on School Finance urged a formula of Federal assistance to the States as an inducement for them to assume the funding of education. The Commission suggested general formulae for this purpose. None is exactly like my formula. I do not think that the details of the formula chosen are nearly so important as the recognition of a need for the Federal government to aid the States in some fashion for a transfer of school costs from the present inequitable system of local responsibility.

The provisions of my bill do not attempt to tell the States which State revenue sources should be employed, nor would the bill legislate the speed with which the States should move toward full State funding. A State could elect to move quickly toward full State funding and receive all its aid in a short period of years, or it could spread its federal aid out over a longer period by moving more gradually toward full State funding.

As States made use of the incentives to reduce reliance on local property taxes, they would not be bound by any particular State tax scheme and would in fact be encouraged to make a careful study of their State taxing arrangements. Some States might choose to introduce a Statewide, uniform property tax as one component of their tax structure, as the Fleischmann Commission has proposed in New York. Others might desire to eliminate property taxation altogether insofar as it supplies money for the public schools, or they might wish to alter either the residential property or the commercial property portions of the tax. To eliminate the school tax as it bears upon property would be a tremendous boon to old people. For many of them today the struggle to keep their family home in context of low income and high property taxes is pitiful.

Whatever system the State chose, it would be based on the State's own analysis of its own needs and abilities. The Federal incentive aid would be assured under any system—so long as it meant an increase in State responsibility and a corresponding decrease in reliance on the strained sources of the local property tax.

Two safeguards have been included in the bill to assure that the quality of education will not suffer and that federal expenditure commitments will be clearly delineated. First, in order to be eligible for federal incentive aid in any year, the State must satisfy the U.S. Commissioner of Education that total pupil expenditures are not less in that year than in the preceding year. Second, the total federal grant to a State in any year could not exceed $100 times the State's elementary and secondary school enrollment.

Mr. Chairman and members of the committee, I do not feel that the federal government should attempt to solve the problems facing our nation's public schools by assuming an ever-greater proportion of the schools' expenses. The primary responsibility for the schools should belong to the States. My bill would provide federal aid to States trying to reestablish their primary role in school finance and to restore equity to the school taxation arrangements. This is a proper role for the federal government. At the same time, as the States themselves attain greater reliability and greater equality in their school financing arrangements, it will become possible for the Congress to assess the problems which will surely remain and to define the role which the federal government should most properly assume in the decades to come. In a nation so mobile and so dependent on the excellence of its educational system as ours, the national interest may well require substantial federal financial involvement in the running of the public schools. This may be necessary in order to assure that each child will receive an excellent education, and will receive it on equal terms. But the federal, State, and local governments must act in partnership in assuring an excellent and securely-funded educational system; until the primary partner has reasserted its responsibility, until the States have restored order and equality to their own financing systems, I fear that no amount of federal intervention will be sufficient to bring true equality and true excellence into all of the nation's schools.

STATEMENT OF HON. JOHN G. DOW, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Dow. Thank you, Mr. Chairman.

I have been looking forward to the hearing in regard to the money bill. If you will let me, I will enter this statement in the record and then perhaps I will make a few supplementary comments that I think might highlight the whole picture here and probably won't take too long either.

My bill, H.R. 6521, is perhaps the first and only bill of its own particular kind that has been offered to the Congress. I know a good many of these bills have as their aim the provision of Federal aid to the States for helping elementary and secondary education, and that is splendid. My bill, while it does provide Federal aid for this purpose, was primarily directed at another objective, and that was to relieve the local communities, the local citizens, and particularly the property owners, of the burden of carrying the schools.

And I have too many dear old ladies in my district who barely have enough social security to pay their property taxes on the family home, much less anything left over for any other purpose.

And it was with them in mind as well as property owners generally that I offered this bill which provides a Federal incentive to induce the States to switch the burden of school taxes from the real property and from the localities to the State.

My bill would provide a 50-percent incentive to the amount that the State would take over any year plus the amount that the communities were relinquishing. That is a rather fuzzy formula and I don't think we need to worry about these details here.

Now, in the bill I did not say how the States would support the schools, just how they raise the money to do it. I had thought all along that they would do it by a means of preferably an income tax or a sales tax but I was a little bit surprised when the Fleischman Commission, which has been authorized by the State of New York to make a report on school finances, when the Fleischman Commission said that they preferred to have a statewide real estate tax.

In other words, they recognize the inequities that exist in the local property tax. I don't need to go into that.

Everybody knows the reasons for it. But the State under the Fleischmann plan would then have a statewide real estate tax and while I think this would relieve the property owners at the local level to some extent, it would not be on the scale of relief that I was hoping for.

So I want to turn now to the report of the President's Commission on School Finance, which is the McElroy Commission, because they are much more in line with my thinking, and I might add my bill and they favor a transfer of the burden of school taxes from local to State, but they are not very strong for a statewide property tax.

Instead of that, they go to something very similar to what I suggest, and that is a Federal incentive, a formula incentive which is keyed to the degree by which the State assumes the burden of school taxes on some basis or other and at the back of the McElroy report, and I think this is one of the most interesting features, there are four different proposals, A, B, C, and D, for formulas by which the Federal Government might provide an incentive on different scales to induce the State to take over the local property tax.

Of these, the fourth one is very interesting, alternative D, because this one offers an incentive for the States to switch the type of tax to transfer from an existing type of tax to another tax.

In other words, I judge that it means that they would really be inducing the States to switch from a property tax to some other type of tax. They would in item 2 of their proposal D, they say "50 percent of these taxes are shifted to other type State taxes as desired by the States."

In other words, they are actually saying, get off of real estate and property in accordance with your proposal and the Federal incentive, and I think this is very good, and it is the kind of thing that I had in mind when I drafted my own formula.

So I hope that your committee, Mr. Chairman, will think of finding some way to relieve the property owner of his real estate tax and also to reinforce the notion of a State-managed tax system for supporting the schools coupled with a Federal incentive.

That about sums up what I think, Mr. Chairman, are the principal thoughts here that are represented in my bill.

Mr. PUCINSKI. One question comes up, and it is the major problem I have with the Presidential Commission's recommendations, which is that just looking at some of the figures here, the States seem to already be doing reasonably well in contributing toward the cost of education.

In my own State, the State portion of State local revenue receipts for education is 38.2 percent. But I think that the disparity is between the Federal Government and the local government in financing education.

Local governments collect about 17 cents out of every tax dollar collected, but they pay 54 percent of the cost of education, while the

Federal Government collects 64 cents out of every dollar and pays only 6 percent of the cost of education.

So it seems to me that the disparity is not so much between the local government and that State government, but the local government and the Federal Government. I was wondering how those figures would give with your proposal in shifting a good portion of this burden to the States. Would you know?

Mr. Dow. Well, Mr. Chairman, I think you have raised a very good point and we all know that the Federal share of the cost of elementary and secondary education is rather small.

In my own State of New York, it is not all of the States, and the State of New York contributes 45 percent, so that we are halfway along the road. Many of the Southern States contribute up in the range of 70 and 80 percent and I think Hawaii contributes pretty nearly all from the State treasury.

So that we are somewhat along the way.

Now, I don't really quarrel at all and I must say I think I go along with you in the notion that the Federal Government should carry a greater share, because it is a small share universally. The point I am addressing myself to, the real thrust of my bill, is to get the burden of the tax off of the local property owner.

Mr. Pucinski. You are suggesting that most of that burden be shifted to the State?

Mr. Dow. That is right.

Mr. Pucinski. If you had a uniform State property tax and you know years ago they had that. For instance, in Illinois years ago we had a State real estate tax.

Mr. Dow. That is interesting.

Mr. Pucinski. We gave it up simply because it developed that the large cities were carrying a disproportionate share. Their taxes were higher and still, because of the local needs, police protection and fire protection and sanitation and various other local needs, you found that the local governments were contributing a disproportionate amount of the revenue for State government and the taxes were becoming even more prohibitive than they are now.

So we gave that system up. Won't shifting the local property tax to a uniform State property tax indeed tax the large cities more heavily?

Mr. Dow. I am not inclined to feel so. I guess it would be pretty much according——

Mr. Pucinski. Keeping in mind that they have, for instance, you take a city like Chicago or New York, we have to provide very extensive police protection, fire protection, and various other services to that segment of our community that takes its dollars out of Chicago every evening at 5 o'clock.

And so the city has to provide all of these services.

Now, if the city taxpayer will have to provide an additional higher tax to the State, he is really caught in a tight bind. He has to provide taxes for his local government and taxes for his State government and in disproportionate amounts, doesn't he?

Mr. Dow. Of course, my preference, Mr. Chairman, would be for an increase in the State income tax, not to the level of the present property tax, but to a substantial fraction of it, and then supplement that by a Federal provision, a greater Federal provision than we have now.

But I, myself, don't envision a statewide real estate tax which might fall heavily on the cities. I am not in favor of that. I do think the income tax would be a good vehicle.

I will tell you one reason why I think so and that is that it would catch up a good many of the industries and financial institutions.

At the present time in our State, many industries have come into little communities and they have bludgeoned the communities into giving them real estate for a song, so to speak, at a low assessment, and so they live very well under that situation, but it is harmful to the school tax base and so I thought an income tax would catch those big operators and would redress this situation where the schools are being short-changed by the low assessment.

Mr. PUCINSKI. I am very grateful to you, Congressman Dow, for your contribution.

As you know we are looking for answers and we are looking for suggestions on a broader base than we have proposals. The better we can evaluate the whole picture so I am very grateful to you.

Mr. DOW. I think this whole subject is evolving, Mr. Chairman. I don't know that we have the final answer but it is evolving and if you don't mind, when I have a fresh idea, I will let you know.

Mr. PUCINSKI. We need it very desperately and we are looking forward to it.

Thank you for being with us this morning.

Mr. DOW. I am glad I could be here.

Mr. PUCINSKI. We will now hear from the Advisory Commission on Intergovernmental Relations: Mr. Myers, Mr. Van de Water, and Mr. Revier.

Gentlemen, we are glad to have you this morning and we would like you to tell us briefly about the study you did for the President's Commission on School Finance, and also perhaps you can tell us how soon can we expect some recommendations from you.

If I am not mistaken, I believe the President said the other day that he was waiting for a report from your Commission on how to move forward with a more effective program for assisting the schools in this country.

I wonder if there was any kind of timetable.

STATEMENTS OF WILL MYERS, PAUL VAN de WATER, AND CHARLES REVIER, ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS, AS A PANEL

Mr. MYERS. Yes, Mr. Chairman, when the Commission took on the request of the President, the Chairman of the Commission contemplated that it would take 9 to 12 months for us to complete a study.

We are working on the President's request now and the Commission will be meeting on May 19 for the first bite, so to speak, into the issues raised by the President's request.

Mr. PUCINSKI. How long do you anticipate it will take after that to come forth with some recommendation?

Mr. MYERS. In general, Mr. Chairman, the study is being divided for analysis purposes into three areas. One dealing with the school finance problem. Another dealing with property tax relief issue and one dealing with value added tax question.

I think the Commission would be reluctant to make any recommendations until they see all parts of it. I am sure they will be making tentative decisions but I can't answer that question.

Mr. PUCINSKI. I have long believed that the best way to kill a bill is to study it to death. It is an agonizing death but one that is very clear. There is no blood lying around and you don't have to arouse anybody's sensitivity.

And I get the feeling that is precisely what is happening here. We have the President's Commission report which I presume you have put a lot of time into.

Mr. MYERS. We did one study for it, yes.

Mr. PUCINSKI. I get the feeling now that the President, is shifting this now to the Advisory Commission on Intergovernmental Relations, is now going to set up another long big delay factor and I get the feeling that this administration just does not want to level with the American people that they have ran this country broke.

We are $38 billion in the red this year alone. This President will have chalked up $138 billion deficit by the time the November election rolls around and I have a feeling that shifting this to the Advisory Commission on Intergovernmental Relations is just another bid for time, another effort to avoid the bare facts and the truth that this Government is in no position to help local communities and States as far as the President is concerned.

Now, I see here, from what you tell us, another long drawn out delay in studying a problem that we all know exists and has to be solved. If you are going to break it up into three sections, as you suggested, is there any reason for anyone to believe that we can get some sort of a recommendation from you people in the immediate future, let's say by June 1?

Mr. MYERS. Mr. Chairman, I am really not the person to answer that. I am a member of the staff of the Advisory Commission, and the Commission is a 26-member bipartisan body, and one of your fellow Illinoisans, Robert E. Merriam, is the Chairman.

Mr. PUCINSKI. I have no quarrel with the Commission. I am sure the Commission does a very good job.

Mr. MYERS. I can't speak——

Mr. PUCINSKI. My quarrel is not with your Commission. Bob Merriam is a fine citizen and we are proud he is on there but I quarrel with the fact that somebody in the palace guard looked at the Presidential Commission report, realized that the day of reckoning has come. We have to do something and because of the $38 billion deficit for this year and $70 billion deficit projected for fiscal 1973, they said, "Let's shove this off to the Commission on Intergovernmental Relations and let's see what they can recommend" and to me this is nothing more than an enormous stall to avoid facing up to reality.

I have no quarrel with your Commission because you can't tell the President what to do and what not to do and he looked over his list of Commissions and said, there is a likely outfit that can delay this thing for 6 or 9 or 12 months and give me a little time past the, November elections so I will send it to them. I think that is just that simple.

I am wondering what kind of a contribution can you people make to the study of this problem? What is the function of the Intergovernmental Relations Commission?

Mr. MYERS. In general terms our purpose is to look at the friction point in our intergovernmental system—Federal, State and local levels—to analyze them and to make policy recommendations to the Congress or to State governments in the way of legislative bills to resolve those frictions and to ease the operations of our federal system.

Perhaps the best indication of what the Commission does is to review some of the reports that the Commission has published.

Mr. PUCINSKI. What were some of the studies?

We will put the reviews in the records of course but what were some of the studies?

(The reviews follow:)

PUBLISHED REVIEWS OF THE ADVISORY COMMISSION. ON INTERGOVERNMENTAL RELATIONS

Relocation: Unequal Treatment of People and Businesses. Displaced by Governments.—January 1965. 141 pp., offset. Reviews problems arising from displacement of people and businesses by Federal, State, and local programs and suggests action to achieve greater equity and minimize hardships.

Federal-State Coordination of Personal Income Taxes.—October 1965. 204 pp., offset. Recommends more effective State use of personal income taxes and a Federal income tax credit to encourage State adoption of such taxes. Examines intergovernmental relations in personal income taxation and recommends closer Federal-State and interstate coordination.

Building Codes: A Program for Intergovernmental Reform.—January 1966. 103 pp., offset. Identifies problems arising from the preparation, adoption, and enforcement of building codes. Recommendations are designed to reduce housing costs due to excessive and diverse code requirements, expedite acceptance of new building products, and enhance the quality of building code administration.

State-Local Taxation and Industrial Location.—April 1967. 114 pp., offset. Examines (1) the extent to which industrial development trends have been influenced by State and local tax policy and (2) the effect that industrial development policies have had on State and local revenue systems. Contains recommendations for action at all levels of government.

Fiscal Balance in the American Federal System.—October 1967. Describes the size, shape and significant features of fiscal federalism; the development and present operation of the Federal grant-in-aid system; and fiscal disparities among local governments within metropolitan areas. Recommends greater fiscal flexibility in Federal aid programs through grant consolidation and general support payments; strengthening State and local fiscal and tax systems; reducing disparities in educational financing; and greater involvement of private enterprise in urban programs. Published in two volumes:

Volume I: *Fiscal Balance in the American Federal System.*
Volume II: *Metropolitan Fiscal Disparities.*

Mr. MYERS. In 1965 the Commission studied State and Federal personal income tax coordination. For 30 years no State had enacted a personal income tax while many States had enacted the general sales tax. The Federal Government had made heavy use of the personal income tax and the States apparently felt some reluctance in moving into that field.

The Commission suggested that it would be appropriate for the Federal Government to provide a credit for a certain portion of State income tax payments in order to encourage the States to make more intensive use of the personal income tax.

This was intended to strengthen the State tax system to make it more capable of funding the increasing amount of domestic expenditures.

Mr. Dow referred to the influence that some of the local communities in New York have had on industrial location through providing land and favorable assessment consideration. The Commission did a study on State and local taxation and industrial location.

Mr. Pucinski. What happened to your recommendation for tax credits. As I get it, you are recommending that people who pay State income tax claim a credit against their Federal taxes?

Mr. Myers. Right.

Mr. Pucinski. What happened to that recommendation?

Mr. Myers. It was introduced in several sessions of Congress by Congressman Ullman, of Oregon. It was included in the Muskie-Goodell revenue-sharing bill and the principle of giving States an incentive to get into the income tax field is now included in the bill that Congressman Mills of the House Ways and Means Committee has produced on fiscal assistance for State and local government.

Mr. Pucinski. That isn't State credit?

Mr. Myers. No.

Mr. Pucinski. That is rebate to the State?

Mr. Myers. There is an incentive in there to encourage States to make more intensive use of income tax. This was the problem that the Commission was looking at.

Mr. Pucinski. They are telling the States to make greater use of the income tax but they are not giving the taxpayers any kind of relief. All they are doing is the shell game, you know, where is the pea pod at this particular moment.

Now your Commission suggestion was apparently a good one.

Mr. Myers. But it was not intended to give the taxpayer relief. It would operate through that vehicle.

Mr. Pucinski. Through the tax credit taxpayers would have been

Mr. Myers. Yes; it would have, but the intent was to encourage the States to use the income tax.

Mr. Pucinski. Your suggestion was if I pay a thousand dollars State income tax if I can claim that thousand dollars as a tax credit against my Federal obligation, then if my State raises the income tax and I pay $1,500, I deduct $1,500 from my Federal obligations so that I as a taxpayer, we leave me where we find [illegible] the State gets more money for its purposes.

Now that makes a lot of sense to me and I was wondering what happened to that recommendation. It got shot down?

Mr. MYERS. It was never really considered in the Ways and Means Committee.

Mr. PUCINSKI. That is one of the problems with dealing with closed rules in Ways and Means but I was wondering, didn't anybody in the Senate offer this proposal? The Senators don't have a closed rule.

Mr. MYERS. To my knowledge, it was never an amendment to any tax law that was going through.

I suppose the Senators are reluctant to introduce this kind of proposal independently. As I understand it, the House Ways and Means Committee would introduce tax legislation first.

Mr. PUCINSKI. What happened to the proposal, the second proposal that you made?

Mr. MYERS. Well, I was just telling you about that study. The Commission suggested to the States that taxes are not a prime consideration in business decisions on industrial location except in a metropolitan area. The Commission recommended that States trying to reform their property tax do so by relieving businesses of the personal property tax on merchants inventories which apparently affects different businesses in different ways.

Mr. PUCINSKI. What happened to that recommendation?

Mr. MYERS. There are States that have enacted that kind of thing and there are others considering it.

The Commission in 1967 did a study called Fiscal Balance in the American Federal System, in which it suggested a substantial restructuring of the Federal grant aid system to provide among other things revenue sharing. The Commission staff was instrumental in getting revenue sharing legislation introduced in the Congress and I am sure that the Commission report was considered by Members of Congress in developing their attitude toward revenue sharing.

Those are the kinds of things that the Commission deals with.

Mr. PUCINSKI. What thing has the Commission recommended that has ever been enacted into law?

Mr. MYERS. The Intergovernmental Cooperation Act in 1968. Most of these were recommendations of the Commission for improving Federal and State and local relationships.

Mr. PUCINSKI. I am fearful that this school crisis, going to your Commission, is going to meet the same fate that other of your great proposals that you have made have met.

You have made some very fine proposals, obviously, but somehow or other they get shot down.

Mr. MYERS. Illinois has enacted an income tax. That, I think, was due in part at least to the rationale that the Commission provided for State use of the income tax.

We have drafted State personal income tax statutes and they are on the books in essentially the form we drafted them in Nebraska and in Maine.

We have not always succeeded at the Federal level but have had an impact, in my opinion.

Mr. Pucinski. Am I correct in assuming that we cannot expect any early recommendation from you on this subject? When I say early, by at least the first of June, assuming that the Congress is in session into the early fall and that is a reasonable assumption. I would like to see some legislation passed this year simply because of the crisis facing the school districts.

I don't think that these school districts can go beyond September without some sort of a meaningful approach, especially if these court decisions are upheld. Something is going to have to give and this is why I have been a lone voice in the forest warning that we have got a real explosion facing us in education.

We already see school districts in many parts of the country curtailing their school year to a dangerous point.

At some point in time the North Central Association and other accrediting agencies are going to take a look and see whether or not the criteria are being met, whether or not these schools deserve to retain their accreditation. I don't think I am exaggerating the subject at all but it seems to me that there is no spirit of urgency in this administration to deal with this crisis.

I was wondering if any of you three gentlemen could tell me whether or not we can look forward to some recommendations from you by hopefully no later than mid-June?

Mr. Myers. I don't think we are the people who can answer that question now nor are we even the people you should address that question to.

Mr. Pucinski. Am I correct in assuming that as of this moment you really have not tooled up for any significant study to give the President any kind of an answer.

Mr. Myers. We are tooled up to the extent that we have resources and staff and the staff is working on the study.

Mr. Pucinski. Has the work been deployed?

Mr. Myers. Yes.

Mr. Pucinski. Has the staff been named?

Mr. Myers. Yes.

Mr. Pucinski. Are they now actually working on the study?

Mr. Myers. Yes, sir.

Mr. Pucinski. If they are working on the study, then perhaps they could meet a June 1 deadline.

Mr. Myers. It is possible that the May 19 meeting would produce some recommendations, Mr. Chairman.

Mr. Pucinski. I wonder if you would be good enough then to convey to the chairman our deep concern because we would like to have your input. Obviously it is important to get your thinking on this.

My judgment is that the legislative branch of Government ought to move, the executive branch of Government notwithstanding, if the executive branch of Government fails to give us the information we need by June 1.

So I would think that if we don't have your recommendations by June 1, we will have to go our own route and draw our own conclusion because I feel the crisis is that imminent in education. I don't know whether you have any views on that or you are close enough to the educational picture or not.

Mr. MYERS. No, Mr. Chairman, that is really beyond us.

Mr. PUCINSKI. What about the other gentlemen?

Mr. VAN DE WATER. No.

Mr. PUCINSKI. Gentlemen, I would like to have the work of your Commission, and you have some reports there. Do you have a prepared statement?

Mr. MYERS. Yes.

Mr. PUCINSKI. Mr. Bell, I am glad you got here because I was telling Mr. Myers, and the Commission on Intergovernmental Relations, that it would be my judgment that the crisis in American education is so severe that we will want to do something this year and I would hope that their Commission would have some recommendations for the President and for us hopefully by no later than June 15.

Otherwise, the legislative branch of Government will have to use its own best resources to draw some conclusions.

Mr. BELL. Mr. Chairman, is it my understanding that this is in regard to financing of schools?

Mr. PUCINSKI. Yes.

Mr. BELL. As a result of the recent decisions and others?

Mr. PUCINSKI. That is correct. We are aware of the fact that there are those who feel that perhaps this whole subject ought to be studied some more. As I told Mr. Myers, I believed a long time ago the best way to kill a bill is to study it to death. It is a nice clean way of disposing of the matter. Mr. Myers, your statement of course will go in the record in its entirety at this point.

(The statement referred to follows:)

STATEMENT OF WILL S. MYERS, SENIOR ANALYST, ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

Mr. Chairman, we are happy to be here today to discuss our report, *State-Local Revenue Systems and Educational Finance*. The study was prepared by the staff of the Advisory Commission on Intergovernmental Relations for the President's Commission on School Finance. While the conclusions of the study largely conform to formal recommendations that have been made by ACIR, the document is not an official Commission report. The interpretations and conclusions are those of the staff and do not necessarily represent the views of the members of ACIR.

The Advisory Commission on Intergovernmental Relations was created by Federal law in 1959. It is a permanent bipartisan body representing the executive and legislative branches of Federal, State, and local government, and the public. A list of the members of the Commission is submitted for the record.

The purpose of our study was to analyze the weaknesses of the present State-local revenue systems and to appraise the capabilities of the States to adopt productive and equitable revenue systems that could finance virtually all school costs.

The study first examined present State-local tax structures to identify the weaknesses which impair their productivity and equity. Four of these weaknesses are—

1. the regressive impact of property, general sales, and selective excise taxes;
2. the financing of governmental functions of major redistributive significance at the local level;
3. the sluggish response of state and local revenues to economic growth; and
4. the difficulties in achieving equitable administration of the property tax.

The report noted that since our system of public education is designed to provide equal social and economic opportunity to all children, regardless of background or residence, the financing of schools by means of a local tax such as the property tax is inappropriate. To minimize this dependence of public schools on local taxes, one option open to the States is to assume virtually all financial responsibility for school support. Our report therefore focused on the characteristics of a State revenue system sufficient to finance school costs.

The report noted that most States are now moving toward the use of a diversity of tax sources, broadened tax bases, and more economically responsive revenue measures. These considerations, and the necessity of raising sufficient revenues to finance school costs, indicate the need for State tax systems which place heavy reliance on both broad based personal income and general sales taxes.

The study noted that a uniform statewide property tax to help support schools would give the State a real stake in improving the administration of this tax—a desirable development. However, the use of a statewide or regional property tax for school purposes would fail to achieve the degree of taxpayer equity, responsiveness to economic growth, and ease of administration that heavier reliance on a State personal income tax would produce.

The report provided tables indicating by State the personal income and general sales tax rates that would have been required in 1969 to finance 90 percent of State and local expenditures for local schools (after the deduction of revenue from local school charges and Federal aid). Four cases were examined sequentially under varying assumptions regarding State use of the corporation income tax, possible Federal take-over of public welfare, and the adoption of general revenue sharing. It should be emphasized that in each case it was assumed that the local property tax would be reduced by the amount currently used for local schools.

In a more recent tabulation (Table 1) prepared since the report was published, we calculated the tax revenues required, in addition to the current level of school property taxes, to raise all school districts in each State to at least the 80th percentile in per pupil expenditures. After deducting the likely school expenditures to be made from funds freed up by welfare reform (H.R. 1) and Federal unconditional grants to States (H.R. 14370), the net tax increases required are modest. But, these estimates probably understate the amount that would be required as a practical matter in each State. It is assumed that the same total of property taxes now levied locally for schools could continue to be levied. For political reasons this is not likely to occur.

The final chapter of our report looked at the internal and external forces that will largely determine whether States will adopt high-quality State-local revenue systems and whether they will assume most of the cost of public schools. The two strongest internal forces pushing States in this direction are the continuing expenditure pressure on State and local governments and the apparent public dissatisfaction with the property tax. On the other hand, taxpayer resistance to the dramatic increases in sales and income tax rates required to replace school property taxes and resistance to the loss of local control of the schools will be major obstacles to this development.

With regard to external forces, full State funding of schools may be accelerated as a result of court action. The Federal government could play an important role if it were to abandon its hands-off policy with respect to State use of the income tax and with respect to the way States and localities divide responsibility for funding education. It could encourage increased State use of the income tax by providing a tax credit or an incentive grant, as in H.R. 14370. By the same token the Federal government could accelerate State assumption of school funding by providing special assistance to those States willing to take on this responsibility.

TABLE 1.—ESTIMATED PERCENTAGE INCREASE IN STATE TAX RECEIPTS REQUIRED TO REDUCE INTRASTATE SCHOOL SPENDING DISPARITIES AFTER TAKING ACCOUNT OF THE ESTIMATED IMPACT OF FEDERAL REVENUE SHARING AND WELFARE TAKEOVER

[Dollar amounts in millions]

States	Education pro rata share of new funds from Federal sources[1]	Cost of leveling up per pupil spending to the 80th percentile	Potential State school finance surplus or deficit (—)	
			Amount	As a percentage of State tax collections, 1970
United States, Total	$1, 165.9	$3, 724.9	$2, 559.0	5.7
Alabama	16.0	22.2	−6.2	.9
Alaska	2.1	9.1	−7.0	8.1
Arizona	13.0	55.0	−42.5	9.0
Arkansas	10.0	19.5	−9.5	2.7
California	142.1	392.0	−249.9	4.5
Colorado	11.3	65.0	−53.7	11.4
Connecticut	15.5	83.5	−68.0	9.2
Delaware	3.8	7.8	−3.9	2.0
District of Columbia				
Florida	75.8	117.2	−41.4	2.9
Georgia	30.2	57.9	−27.7	2.9
Hawaii	6.4	2.9	3.5	(1.0)
Idaho	2.5	14.4	−11.9	7.6
Illinois	53.8	294.4	−240.6	8.4
Indiana	15.6	76.9	−61.3	6.1
Iowa	20.9	42.1	−21.2	3.4
Kansas	10.3	26.6	−16.3	3.8
Kentucky	11.2	57.1	−45.9	6.5
Louisiana	26.5	27.8	−1.3	.2
Maine	3.2	16.7	−13.5	6.5
Maryland	34.8	28.1	6.7	(.6)
Massachusetts	35.3	121.9	−86.6	6.2
Michigan	51.2	186.5	−135.3	5.8
Minnesota	28.1	76.0	−47.9	4.7
Mississippi	10.9	35.0	−24.1	5.0
Missouri	15.8	105.8	−90.0	11.0
Montana	3.5	34.8	−31.3	24.3
Nebraska	4.4	19.2	−14.8	5.7
Nevada	1.5	1.3	.2	(.1)
New Hampshire	1.9	11.1	−9.2	9.7
New Jersey	33.3	164.5	−131.2	9.8
New Mexico	5.5	14.4	−8.9	3.3
New York	155.1	275.8	−120.7	2.0
North Carolina	25.0	42.5	−17.5	1.5
North Dakota	1.4	14.4	−13.0	10.7
Ohio	41.5	256.9	−215.4	12.7
Oklahoma	16.3	36.0	−19.7	3.9
Oregon	15.6	31.8	−16.2	3.8
Pennsylvania	57.3	351.7	−294.4	10.6
Rhode Island	4.4	18.1	−13.7	6.0
South Carolina	12.5	19.4	−6.9	1.3
South Dakota	2.5	10.8	−8.3	7.4
Tennessee	17.9	64.4	−46.5	6.8
Texas	38.5	144.1	−105.6	5.3
Utah	4.9	9.4	−4.5	1.8
Vermont	2.0	13.7	−11.7	8.7
Virginia	19.1	130.8	−111.7	11.7
Washington	12.7	79.3	−66.6	6.5
West Virginia	11.2	16.8	−5.6	1.5
Wisconsin	30.5	5.8	24.7	(1.9)
Wyoming	1.1	16.1	−15.0	17.8

[1] Estimated State share of Federal funds to be distributed under H.R. 14370 (House Ways and Means Committee "revenue sharing" bill) plus estimated State and local savings in welfare expenditures under H.R. 1 times the ratio of State-local expenditures for local schools to total State-local general revenue from own sources, 1969–70.

Sources: Col. 1: House Ways and Means Committee, Department of Health, Education, and Welfare, and Bureau of Census "Governmental Finances"; col. 2: President's Commission on School Finance, "Review of Existing State School Finance Programs," vol. 2; Cols. 3 and 4 ACIR staff analysis.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS, APRIL 1972

Private Citizens: Robert E. Merriam, Chicago, Illinois, Chairman; Howard H. Callaway, Pine Mountain, Georgia; Edward C. Banfield, Cambridge, Massachusetts.

Members of the United States Senate: Sam J. Ervin, Jr., North Carolina; Karl E. Mundt, South Dakota; Edmund S. Muskie, Maine.

Members of the U.S. House of Representatives: Mrs. Florence P. Dwyer, New Jersey: L. H. Fountain, North Carolina: Al Ullman, Oregon.

Officers of the Executive Branch, Federal Government: Robert H. Finch, Counsellor to the President: George Romney, Secretary, Housing and Urban Development: George P. Shultz, Director, Office of Management and Budget.

Governors: Dale Bumpers, Arkansas; Richard Kneip, South Dakota; Richard B. Ogilvie, Illinois; Ronald Reagan, California.

Mayors: C. Beverly Briley, Nashville, Tennessee: Harry G. Haskell, Jr., Wilmington, Delaware: Richard G. Lugar, Indianapolis, Indiana, Vice Chairman.

Members of State Legislative Bodies: W. Russell Arrington, Senator, Illinois; B. Mahlon Brown, Senator, Nevada: Robert P. Knowles, Senator, Wisconsin.

Elected County Officials: Conrad M. Fowler, Shelby County, Alabama; Edwin G. Michaelian, Westchester County, New York: Lawrence K. Roos, St. Louis County, Missouri.

Mr. Pucinski. We want to impress upon the Commission our thinking from the legislative standpoint. I cannot tell you what to do but I do believe that the Commission ought to be apprised of the fact that while we want your input, if we have to wait for that input beyond early June, we may have to take off on our own and not have the benefits of your good judgment and good counsel.

Mr. Bell. Mr. Chairman.

Mr. Pucinski. Yes.

Mr. Bell. As I understand it, Mr. Myers, this is a commission that has been studying intergovernmental relationships but I understand your specific point is to study means of financing schools.

I am a little confused. There has been a commission on school finance and that report is back already. Yours has not reported back as I understand it; is that correct?

Mr. Myers. I think it would be helpful if I cleared up a couple of points here.

The Commission was established by Congress in 1959. It has 26 members and it is bipartisan. Six of those members are from the legislative branch of the Federal Government, three Members of the House, three Members of the Senate and three members are from the executive branch of the Federal Government.

There are Governors, mayors, elected county officials and public members along with the members in the Federal level.

The Commission is supported largely by Federal appropriations. It is chaired by Robert E. Merriam, who is a private citizen and who lives in Illinois.

The Commission acts as a body. The President has asked the Commission, through Mr. Merriam, to study a proposal involving school finances, property tax relief, and the value added tax and that is the study that the Commission is now engaged in.

Mr. Bell. I see. When your Commission completes its study, you will come forth with a recommendation of some kind, I assume, relative to the best way to go about solving the school problem?

Mr. Myers. Yes.

Mr. Bell. That is good because the other commissions have come up with general recommendations but have not come up with the big answer on what is the best school finance system. So you would be the only commission that would come up with that and I am thankful for that.

Mr. Myers. One other point, Mr. Bell.

The staff of the Commission did a project for the President's Commission on School Finance dealing with State and local revenue systems in educational finance and that was part of the input that the McElroy Commission considered when it wrote its report.

Mr. BELL. Your report will be completed sometime in June, you say?

Mr. MYERS. This is the one that we did for the President's Commission on School Finance and this looks at the State and local revenue system and its relationship to education and finance.

Now, the other report is one that the President requested us to make—he requested the Advisory Commission on Intergovernmental Relations to make—as a result of his comments in the state of the Union message about the problem of property tax relief and school finance. Yes.

We are working on that, Mr. Bell.

Mr. BELL. So you shall have a report sometime——

Mr. MYERS. At the time that the Commission met on February 10, the Chairman announced that it would take the staff 9 to 12 months to complete this study.

The difficult part of the study relates to the property tax relief provisions and the related data.

The President's Commission on School Finance has studied the school finance problem. But we don't have that same kind of background and backup to look to in the property tax area nor in the value-added-tax area.

These subjects will take a while to analyze. I don't know precisely when the Commission will make its recommendations.

Mr. BELL. I want to point out for the record that I think some of these commissions and studies that are made are very wise and beneficial for the simple reason that in the course of these studies, you have an opportunity to get exposure to all kinds of views and all kinds of concepts which you don't find here in Washington.

So this is highly beneficial, I think, and we get some very good input. For example, maybe if we had had this kind of a study, we would not have made the mistakes we made in some of our elementary and secondary education programs when the bill first came out.

Now that we look back on them, we made some unfortunate errors. However, I think the bill was a good one and I supported it.

Nevertheless, I think education is such a complicated subject that you have really got to look at it. It is one of those areas where we cannot simply say as we did in the past that this is the right route and let's do something even if it is wrong. This isn't the route we should take in education.

We have to study it to make sure that the right route is taken so we don't make some awfully bad mistakes and waste a lot of the taxpayers' money. I think you are right in the study you are doing. I happen to feel that the value-added tax has a great deal of merit and I am pleased that you are studying that. I think we have to have a change in the property tax.

Mr. PUCINSKI. I don't know what the committee's findings are going to be but obviously my good friend from California and I have a strong disagreement. I don't think that we need another——

Mr. BELL. Mr. Chairman, I don't think I have to waste our time debating that issue.

Mr. PUCINSKI. That is a subject that is not going to be before this committee. I think it will be before the Ways and Means Committee.

Mr. Meeds. If the chairman will yield, I don't think it would be a waste of time.

Mr. Pucinski. On your table, Mr. Myers, at the conclusion of your statement, you list the education pro rata share of new funds from Federal sources and, for instance, you give for Illinois $53.8 million but it is my understanding that the revenue-sharing bill which comes before us next week I believe as reported by the Mills committee provides that two-thirds of that money, two-thirds of whatever the State will get, two-thirds will be distributed to local communities and they can only use it for police protection, transportation, and environmental services, but they cannot use it for education.

Mr. Myers. Mr. Chairman, I am sorry that this table has led to some misunderstanding on your part because in collapsing the table to the size that it is, we have apparently left out some important elements.

What we have done in constructing this table is described in the footnote down at the bottom of the page—footnote No. 1. I hope this explains the assumptions. We have taken only the State proceeds that can be anticipated from the House Ways and Means Committee bill, H.R. 14370, and the money that is anticipated to be freed up as the result of the enactment of something like H.R. 1 and then applied to that amount the percentage of State and local general revenues that are devoted to education.

So it isn't the whole amount of fiscal assistance in H.R. 14370. It does not have any of the locally directed money from the revenue sharing bill in it. It is only saying that if States act the way they now do with respect to money that they get what is not devoted to any specific purpose, they will spend some part of it, perhaps 30-odd percent in Illinois, in support of elementary and secondary education. That is what that $53 million represents.

Mr. Pucinski. The problem I have with that table, let's assume that Illinois gets $75 million from revenue sharing, and I have no idea what they will get at this time, but if they get $75 million, $50 million will immediately be siphoned off to local communities for three specific purposes having nothing to do with education.

Mr. Myers. No, I have already taken care of that in this table. The $3½ billion of the $5.3 billion bill, goes to local governments. We have not taken any part of that and applied it to education.

Mr. Pucinski. This $53 million then is part of the $1½ billion that goes to States.

Mr. Myers. It is $1.8 billion to the States.

Mr. Pucinski. You are assuming then that the States will use one-third of revenue sharing which a State is free to use anyway it wishes to, you are assuming it will use one-third of that for education.

Mr. Myers. Yes.

Mr. Bell. Mr. Chairman, may I suggest that the panel be given the same opportunity as given anybody else to make their statement or summarize it first.

Mr. Pucinski. We have done that.

Mr. Bell. I understand they haven't read the statement.

Mr. Pucinski. I said the statement would go in the record in its entirety. We are getting along fine.

Mr. Bell. I am questioning whether or not they had an opportunity to discuss their program in the way in which they are here to do it.

Mr. Pucinski. I think they are getting along pretty well. I want to identify the $53 million. So as I understand it then, anyone of these figures, that is what you estimate the State would likely devote its one-third to education?

Mr. Myers. The sort of unconditional money that would result from the enactment of H.R. 14370 and H.R. 1. It is an estimate of what they would do with that new money on the basis of what they are now doing with money that they have free reign to deal with, yes.

Mr. Bell. I still insist they ought to have a right to proceed to present their case the way they want to.

Mr. Pucinski. If the gentleman had been here when the witnesses came before the committee, he would know that we are getting along fine.

Mr. Bell. It is my understanding you immediately asked questions and we are not allowing them to have a chance to make their statement. All I am saying is let them have a chance to have their day in court and then you can ask questions.

Mr. Pucinski. We said at the time the gentlemen came before the committee, having read their statement, the statement is in the record in its entirety and we have been getting along very well.

Mr. Bell. I think they may have a statement they may want to make. Would you have a statement you would like to make?

Mr. Pucinski. They are free to make any statement they would like.

Mr. Bell. Or a summarization of what your Commission has done or intends to do?

Mr. Pucinski. We have talked about what the Commission did.

Mr. Bell. You asked it in the form of questions. But that has not given the witnesses a right to present their statement.

Mr. Pucinski. The committee will have regular order. The gentleman will be recognized in due time and we are going to proceed with the witnesses as we have with all other witnesses.

The statement of the witness has been placed in the record in its entirety. We are now discussing a very important element of the whole concept of financing.

Mr. Bell. May I ask the witnesses a question?

Mr. Pucinski. The question that I had been asking the witnesses—Mr. Myers—is whether or not there was not a disparity in the figures in the table which he has presented to the committee. He is now in the process of explaining that it may seem like a disparity but it is not because he has taken into account the fact that two-thirds of the revenue sharing received by each State will automatically be transferred on a pro rata basis to local communities within that State to be spent for three noneducational purposes but what Mr. Myers is telling the committee is that a State like Illinois, for instance, will receive $53.8 million to be distributed throughout the State in any manner a State wishes and that $53.8 million comes from what he considers a prevailing practice on the part of the States to spend about one-third of the Federal aid programs on education and he arrives at the 53.8 figure by taking the one-third of the total one-third of revenue sharing and the saving out of welfare reform.

Is that a correct statement, Mr. Myers?

Mr. Myers. Yes, with a couple of amendments. It is what they spend of their own funds, Mr. Chairman, not simply Federal aid.

Mr. Pucinski. Where do you propose that, taking the case of Illinois, in order to bring the entire State up to the average of the highest 20 percent, which I think is a good idea, how does the Commission propose that we raise in a State like Illinois the additional money?

You estimate it would take $294 million in our State to have every school district at the same level that the 20 percent of the highest districts are.

You estimate it will take additional $294 million. The Federal Government would provide $53 million of that. Do you have any suggestions on how the remaining $240 million is to be raised?

Mr. Myers. Mr. Chairman, we would anticipate that a State committed to do that would use the State income tax, for example, or the State sales tax, either by broadening the base of those taxes or by increasing the rates of those taxes. Those taxes are used at varying levels among the States in the United States and of course each State uses them to the degree that it finds necessary and politically acceptable.

The States have those resources that they can tap. Illinois is not the heaviest user of the income tax by any means nor is it the heaviest user of the sales tax. So comparing Illinois with other States, one could assume that maybe there is some way in which Illinois could derive additional funds from greater use of the personal income tax or the State sales tax.

Mr. Pucinski. What is the Commission rationale in suggesting and supporting H.R. 14370 which gives a relatively small allotment to the States. What is the Commission rationale when the Federal Government raises 64 percent or takes 64 cents out of every tax dollar collected in this country and only contributes about 6 cents out of every dollar that the Government collects to education?

How do you justify this relatively low figure?

Mr. Myers. The $53 million?

Mr. Pucinski. Well, $1,065,000. There is a percentage that you are recommending or at least embracing. It is relatively on the low side compared to the fact that the Federal Government collects 64 cents out of every dollar.

Mr. Myers. Mr. Chairman, I hope that you understand that this is not a Commission recommendation. We are presenting these data to you as indicating the impact of H.R. 14370 and H.R. 1 on State finances.

Mr. Pucinski. I am pleased that you made that point clear because I obviously am wrong. I thought this was the Commission recommendation but you are merely giving us a readout.

Mr. Myers. This is the use one could perhaps anticipate that a State might make of these funds.

Mr. Pucinski. I am glad that you made that point for us.

Mr. Ford?

Mr. Meeds?

Mr. Meeds. Mr. Myers, I am not quite certain that I understand exactly what is trying to be achieved here and I hope you will pardon my late arrival and inability to quickly assimilate what is going on here.

But do I understand these tables to represent what would be required by the State to bring all schools within their States to an 80-percent parity?

Mr. Myers. Per pupil expenditure level.

Mr. Meeds. Now 80 percent of what?

Mr. Myers. Well, if you take the per pupil expenditures in a State and array them from the pupil that gets the highest amount spent on him to the lowest, the 80 percentile.

Mr. Pucinski. If the gentleman would yield, if the gentleman would look on page 4 of this booklet, you will find in Illinois, the high district 1969–70 school expenditure was 2,295 per student as against the low district of 590.

Now what the Commission has done is taken the top 20-percent-per-student expenditures in a State and using the average of the top 20, they set that as a State goal for every child in that State and what they are telling you in this table is that in order to bring every child in my State to the average of the top 20, it would take $294 additional million of State aid and the table shows in the case of Illinois, the Federal Government provides 53.8 percent of that, and the State would have to provide the rest of that.

Is that correct?

Mr. Myers. 53.8 million rather than percent.

Mr. Pucinski. I would like to say the purpose of the Commission and members of the staff of the Commission of Intergovernmental Relations being invited here is that as you know the President has sent to this Commission the whole question of how we are going to finance public education in the United States and he has said that he would have no recommendations to Congress until the Commission has come forth with its recommendations.

I had earlier indicated a desire that the Commission would have some recommendations by no later than June 15. Mr. Myers was not able to tell me whether or not that kind of a target date can be met although he did say that their staff is now deployed and they are working on the President's request.

Is that a fair statement, Mr. Myers?

Mr. Myers. Yes, sir.

Mr. Pucinski. With that background in mind, why don't you proceed Mr. Meeds?

Mr. Meeds. Thank you, Mr. Chairman.

Then as I understand the cost in the second column of the table which you presented us, it would be a cost to the State of additional funding to bring that level up?

Mr. Myers. To raise those below the level to that level yes, sir. As a technical point we ought to strike that footnote 2 at the top of column 2 that was an error on my part. The bottom of the table identifies the sources for the data.

Mr. Meeds. I further understand, and I hope you will correct me if I am wrong, that this table is made up after cranking into it the Federal funds coming from revenue sharing which is presently before the House and the passage of H.R. 1?

Mr. Myers. Yes, sir.

Mr. Meeds. Under which the Federal Government would take the full responsibility for welfare or public assistance?

Mr. Myers. I don't think it is full, Mr. Meeds, but yes, there would be savings in State and local outlays as a result of the passage of H.R. 1.

Mr. FORD. The assumption is based on full funding in both of these bills. Is appropriations equal to the full amount in both bills?

Mr. MYERS. Yes, Mr. Ford.

Mr. MEEDS. Now is this in addition to present funds going in under presently existing categorical education programs?

Mr. MYERS. Yes, sir.

Mr. MEEDS. So it is a total add-on?

Mr. MYERS. Yes.

Mr. MEEDS. In the event that H.R. 1 is not passed, what would be your recommendation as to a method of making up that additional funding? And I don't have any idea what it would be on a statewide basis or a nationwide basis but probably somewhere in the area of $3 billion.

Mr. MYERS. I think the aggregate savings for State and local government anticipated in the version of H.R. 1 that was taken into account here was a total of $1.6 billion for all States, yes.

Mr. MEEDS. Assuming that is not passed then, what other source do you think we ought to consider at least as a possibility of raising this $1.6 billion?

Mr. MYERS. What other source the Congress should consider?

Mr. MEEDS. Yes, since that is a Federal share.

Mr. MYERS. Well, I don't have any recommendation, Mr. Meeds. The Congress has at its disposal the personal income tax, the corporate income tax, and it can enact other tax measures if it is intent on providing additional funds. That is a matter for you gentlemen to decide. I would not be able to tell you how to do that.

Mr. MEEDS. I assume your answer would be the same then assuming that we did not pass the revenue sharing proposal also?

Mr. MYERS. Well, the Congress may be faced with a necessity of raising taxes, yes, sir. And I don't know; I don't have any recommendation as to which measure should be the one that the Congress uses.

Mr. MEEDS. What percentage of the revenue sharing included in the bill have you used?

First, maybe I should say what figure have you used as going to the States to be used for education?

Mr. MYERS. Mr. Meeds, $1.8 billion of the revenue sharing bill will go to State governments for their use on an unconditional basis in the sense that there are no strings. They don't have to spend it for any specific thing. Of that $1.8 billion, we took for each State the proportion of the State and local general revenue that is spent for education.

In other words, State and local funds, unconditional funds, funds from their own sources, took that percentage and in most States it varies from 28 or 29 percent to about 40 percent across the 50 States.

Mr. MEEDS. State and local revenues sources?

Mr. MYERS. General revenue for local school purposes varies among the States from about 29 percent in one State to 40 percent in another State. In Hawaii, I believe, 40 percent of the State's general revenues are spent on local schools. But we applied the percentage that was appropriate to each State to its share of that $1.8 billion in order to get an idea of what the State as a general rule devotes to education.

That is the basis for these figures; yes, sir.

Mr. MEEDS. I see. When you say State and local general revenue, then you are not including property tax?

Mr. MYERS. The local property tax for schools, yes.

Mr. MEEDS. Aren't all States providing as an average when you use State, local, all sources of revenue, income tax and other sources of revenue including property tax; aren't they providing approximately 93 percent of funding for education as an average?

The only other source is the Federal Government, is it not, and that is approximately 7 percent?

Mr. MYERS. Aggregate spending for local schools, yes. To clear up the misunderstanding here, the States and the localities have an aggregate amount of revenue at their disposal that they raise. It may be from State taxes and it may be from local property tax.

Mr. MEEDS. You are using the aggregate of all taxes and what they devote to education. I see, I understand now. In your table 4 in the little book, I notice high districts, some as high as $14,554 per student. I assume those are in one- or two- or three-person schools in which the total of teacher salary and building and buses and everything is what makes the cost of education so high; is that correct?

Mr. MYERS. Mr. Meeds, we would like to take credit for a lot of things but we can't take credit for this table. This was produced by the President's Commission on School Finance and our portion of the contribution to some of the data you have is minimal. The table that is with my statement is really the only thing that I can take credit for. The other things you would have to ask the President's Commission on School Finance about and I have used some of their data to produce the table that is in my testimony.

Mr. MEEDS. Approximately what percent—assuming that your table were adopted or what the table shows was actually carried out—what percent of the cost of elementary and secondary education would be borne on an average by the Federal Government?

Mr. MYERS. I don't know. I haven't made a computation of that nature, Mr. Meeds, and I don't think that it would be appropriate to even think of it in those terms if you are thinking about H.R. 1 and H.R. 14370 because they are not education bills in that sense. They are Federal assistance of an unconditional nature to State and local governments and you have no assurance that that will be spent for education.

Mr. MEEDS. You didn't have that assurance when you made up the chart?

Mr. MYERS. That is correct, sir.

Mr. MEEDS. Let's assume that your chart is an accurate reflection of what takes place.

Do you have any idea of what the Federal share of local education would then be?

Mr. MYERS. The aggregate Federal expenditures I believe are now about $4 billion and this would add another $1.2 billion to that, and the aggregate expenditures for local schools are approximately $42 or $44 billion. So this would be 12½ percent by my rough calculations as contrasted to the present 7 or 8 percent.

Mr. MEEDS. So for those of us that seek a larger Federal contribution to local education, the adoption of this—and I don't refer to it as a proposal—but what again this manifests itself would not reach anywhere near the level of 33 percent like some of the schools would like to achieve, would it?

Mr. MYERS. No, sir, it would not.

Mr. MEEDS. Thank you.

Mr. FORD (presiding). John?

Mr. ASHBROOK. I noted in one of your statements that you indicated that this was just a presentation, and not a recommendation. It looks on page 3 that your statement regarding State-wide property tax is a recommendation, at least an implicit recommendation, of moving away from property tax. Am I reading in your first paragraph something that you do not feel to be there? I think when you read that it is clear you are recommending moving away from the property tax.

Mr. MYERS. This would not be abandoning the property tax by any means. That statement as I read it would indicate that the State, if it chose to adopt the posture of imposing a uniform statewide property tax in support of schools, would then have a stake in the administration of the property tax which most States do not now have.

Mr. ASHBROOK. Does your Commission have a position on the controversy we have now that relates to California Supreme Court decision on property tax? Is there a position? It seems about everybody has a position on that.

Mr. MYERS. On the *Serrano* decision?

Mr. ASHBROOK. Yes.

Mr. MYERS. Our Commission has made a number of recommendations that relate to the State responsibility for funding education and if the chairman wishes, I could provide that for the record and have it inserted at this point.

Mr. FORD. Without objection it will be included at this point.

(The document referred to follows:)

ACIR RECOMMENDATIONS ON THE STATE RESPONSIBILITY FOR FINANCING EDUCATION AND THE STATE-LOCAL REVENUE SYSTEM

STATE ASSUMPTION OF SUBSTANTIALLY ALL RESPONSIBILITY FOR FINANCING EDUCATION

In order to create a financial environment more conducive to attainment of equality of educational opportunity and to remove the massive and growing pressure of the school tax on owners of local property, the Commission recommends that each State adopt as a basic objective of its long range State-local fiscal policy the assumption by the State of substantially all fiscal responsibility for financing local schools with opportunity for financial enrichment at the local level and assurance of retention of appropriate local policymaking authority.*

BROAD-BASED PERSONAL INCOME-GENERAL SALES-PROPERTY TAX SYSTEM

The Commission concludes that the development of a more equitable, diversified and productive State-local tax system is prerequisite to avoiding excessive local property tax burdens, proliferation of local nonproperty taxes, interlocal fiscal disparities and dependence on Federal aid. The Commission therefore recommends that the States (1) require and enforce effective local use of the property tax including, in some States, a more intensive use of this revenue source, (2) equip themselves with a productive, and a broad-based tax system capable of underwriting a major portion of the State-local expanding expenditure requirements, and (3) shield basic family income from any undue burdens imposed by sales and property taxes.

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*This recommendation supersedes a recommendation in *Fiscal Balance*, Vol. 2, calling on States to mandate the establishment of county or regional school property taxing districts where school financing has not already been placed on a countywide or regional basis.

PERSONAL INCOME TAX

The Commission recognizes that the proper role of the personal income tax in a State's tax system must be determined by the State, for itself, on the basis of its revenue needs, resources, and its people's preference among types of taxes. The Commission, however, recommends for reasons stated in this report, that in formulating their tax policies, States without the personal income tax give early and careful consideration to incorporating it into their tax system and that those presently employing a relatively ineffective income tax strengthen it.

The Commission recommends that the States endeavor to bring their income tax laws into harmony with the Federal definition of adjusted gross income, modified to allow the deduction of individuals' income earnings expenses and for such additions to the tax base as considerations of base-broadening and equity make feasible.

The Commission recommends taxation of personal income at the State rather than the local level, but if local income taxes are also levied, they should be authorized only in the form of a supplement ("piggy-back") to be administered with the State tax.

States electing to relinquish the personal income tax to their local governments are urged (a) to limit them to as large taxing areas as possible, ideally coinciding with the boundaries of trading and economic areas, (b) to prescribe rules governing taxpayers, tax base, rates, etc., uniformly applicable to all local taxing jurisdictions, and (c) to provide technical assistance in the administering and enforcement of local income taxes.

SHIELDING LOW INCOME FAMILIES FROM UNDUE BURDENS

Food Tax Credit or Exemption.

In order to strengthen the productivity of the sales tax, the Commission recommends action by the States to protect low income families from undue tax burdens on food and drugs under general sales taxes.

Property Tax Overburden.

In order to strengthen the productivity of the local property tax, the Commission recommends action by the States to help the localities finance the cost of relieving any undue local property tax burden on low income families.

PROPERTY TAX REFORM

To smooth out the great peaks and valleys on the property tax assessment front, the Advisory Commission in a report on The Role of the States in Strengthening the Property Tax offered a detailed prescription for reducing the inequities caused by faulty assessment practices. Underpinning the 29 policy recommendations are the following major assumptions.

1. While a State administered assessment system should be viewed as the instrument of choice, the prevailing joint State-local system for administering the property tax can work with a reasonable degree of effectiveness if the State tax department is given sufficient executive support, legal authority, and professional stature to insure local compliance with State law calling for uniformity of tax treatment.
2. That professionalization of the assessment function can ordinarily be achieved only if the assessor is removed from the elective process and selected on the basis of demonstrated ability to appraise property.
3. That the perennial conflict between State law calling for full value assessment and the local practice of fractional assessment can be resolved most expeditiously by permitting local assessment officials to assess at any uniform percentage of current market value above a specified minimum level provided this policy is reinforced with two important safeguards:
    - (*a*) A full disclosure policy, requiring the State tax department to make annual county assessment ratio studies and to give property owners a full report on the fractional valuation policy adopted by county assessors; and
    - (*b*) An appeal provision to specifically authorize the introduction of State assessment ratio data by the taxpayer as evidence in appeals to review agencies on the issue of whether his assessment is inequitable.

The Commission's prescription for property tax reform also calls for the repeal of the personal property tax on business inventories—a levy that probably has produced as much administrative mischief as tax revenue.

Mr. Ashbrook. You do advocate a uniform State property tax as against what appears to be patchwork property tax arrangement that we have in most States.

To what extent, however, would this minimize the local effort? We are always talking in terms of local effort. It seems to me in my own county, for example, if one school district wants to vote taxes over and above what other school districts seem willing to vote, should we discourage them or should we look upon that as a positive effort of a local community to improve their educational process?

It seems to me implicit in what you say is to discourage local effort, and to what extent would a uniform statewide property tax do that? I point this out specifically because I saw a statement of Secretary Richardson that if you had a uniform tax of this type that would go toward this goal, that it might even be necessary to discourage local school districts; and if they would vote additional tax, a certain amount of that tax they voted would have to go to other so-called less fortunate districts. This is a discouragement of local participation in improvement of education.

How do you get the overall goal of trying to get some uniformity and not discourage local effort which I think is always considered under a system to be salutary.

Mr. Myers. I think there are two points that I need to clear up. The first one is that the advisory commission has not advocated a statewide property tax. It made a study back in 1963 on the role of the States in strengthening the property tax, and the 29 recommendations that the Commission made then are as good today as they were at the time they were made.

The fact is that the States need to take a more active role in the assessment process and improve it. But in connection with that study, the Commission did not recommend a statewide property tax.

One way to get the States more active is to get them into using the property tax for revenue.

Mr. Ashbrook. On that point, paragraph 3 when read in context, certainly gives and shows some preference to uniform State property tax. You say it would give the State a real stake in the process and you go on and indicate that the use of regional or local taxes fail to achieve the degree. That comes about as close to being a recommendation as you can get.

Mr. Myers. Maybe I can clear this up with reading the Commission recommendation with regard to State assumption of financing responsibility for schools. The Commission recommendation reads like this:

> In order to create a financial environment more conducive to attainment of equality of educational opportunity and to remove the massive and growing pressure of the school tax on owners of local property, the Commission recommends that each State adopt as a basic objective of its longrange State-local fiscal policy the assumption by the State of substantially all fiscal responsibility for financing local schools with opportunity for financial enrichment at the local level and assurance of retention of appropriate local policymaking authority.

Mr. Ford. John, would you yield there?

Mr. Ashbrook. Yes.

Mr. Ford. In the report of the Advisory Commission on Intergovernmental Relations that you submitted to the President's Commission on School Finance that applies to December 30, 1971, you say that in order to do what you just recommended the States would have to increase their revenues by some fantastic average here.

Mr. Ashbrook. Something which is not about to happen.

Mr. Ford. Here is what they said on page 411:

> The average State would have to raise its revenues collections by 31 percent in order to underwrite 90 percent of the cost of local schools.

Mr. Myers. That would be to replace the property tax entirely, except——

Mr. Ford. That is going to underwrite 90 percent of the cost, whatever source you are anticipating, 10 percent coming from someplace else?

Mr. Myers. Yes.

Mr. Ford. What happens in some States is interesting. In many States the State tax would be far greater. Connecticut 53 percent, New Hampshire 79 percent, New Jersey 63 percent, Oregon 60 percent, South Dakota 89 percent.

Mr. Ashbrook. Try it.

Mr. Ford. That seems to dictate to anybody who looks at it quickly that it is so impractical that the thought of doing it ought to be abandoned and we ought to quit fooling around and turn to some other source. I am trying to get people to accept the inevitable conclusion that Washington is the only source that can provide some relief for this.

But the suggestion that this kind of drastic overhaul that a State would have to increase its revenues 80 percent is so unrealistic that we should abandon it, it seems to me.

Mr. Myers. The other side of this coin is that property taxes would be reduced by precisely the amount that the State took over here. You are provided property tax relief on the one hand in order for the State to take this up from nonproperty taxes.

I am not saying that is feasible, Mr. Ford, but this particular table contemplates that the local property tax would be relieved to the same extent that the State picked up that burden through other sources.

Mr. Ford. In making these studies, can you tell us realistically which States are not making an effort to use nonproperty tax for the support of the schools and what the realistic potential for increasing that kind of revenue is?

Could you separate them in any way?

Mr. Myers. We have got a number of indicators of the extent to which States use nonproperty taxes. The national educational finance project had a special paper by Professor Due, of Illinois, who attempted to set forth this kind of an exercise. He looked at the various States and the extent to which they were using the personal income tax and the sales tax and the corporate income tax.

If you take the experience in some of the States that are heavy users of these taxes, and use that as the potential in other States that are not heavy users of these taxes, you find that there is a lot of so-called untapped revenue potential.

New Hampshire has no personal income tax of general applicability, nor does it have a general sales tax. So if you take the experience of other States as any guide, then perhaps New Hampshire could do a lot more at the State level than it does now.

And the States vary in the extent to which they use these revenue sources. I hope it would benefit the committee if I gave the staff a copy of a compilation of State and local fiscal data, significant features, so-called, that provides the kinds of comparisons that are implied in the chairman's question.

We have tables already compiled here that indicate what tax sources States use and the burden of those sources through various measures—against the personal income and on a per capita basis.

If it would help the committee, we would be glad to leave that, and I will give that to the staff as a data resource.

Mr. FORD. We would appreciate having it.

Mr. JENNINGS. You seem to imply that the average State increase in taxes, 31 percent, would have a concomitant decrease in property taxes. It isn't a quid pro quo because you have a partial tax relief if you go to State sources but if you are increasing schools to the 90th percentile, you have to have new revenue also and how much new revenue, assuming you have property tax relief, are you talking about now?

Mr. MYERS. At the time we did the study, we did not take into account the necessity for leveling up and the leveling up costs are not reflected in these data. Those costs are reflected in the table that accompanies my prepared statement.

Mr. JENNINGS. The President's Commission said it would cost $6 billion to bring everything up to the 90 percentile, apart from any property tax relief.

So you are talking about $6 billion new State revenue if you are talking about bringing school districts up to the 90 percentile.

Mr. MYERS. May I have Mr. Van de Water respond on that one?

Mr. VAN DE WATER. I think you have seen the crucial distinction between new revenues and the reallocation of existing revenues. Both problems exist here. *Serrano* v. *Priest* addresses itself to intrastate disparities in school finance, and the mandate of the California court, if it is upheld by the U.S. Supreme Court, presumably could be met merely by reallocating funds within a State without having to increase total State-local spending.

Of course, there would be winners and losers both because high-spending districts might end up getting less money and because rich districts would end up contributing more in tax revenues.

This leads to the likely political need seen on the part of State legislators to increase the level of spending so that there would not be as many districts that would lose money in the equalization process, and that brings in the need for revenue in addition to the reallocation of local revenues to State revenues.

The charts in our report to the President's Commission are concerned with how much additional revenues the State would have to raise if it were merely replacing local revenues.

The table in Mr. Myers' prepared statement is addressed to the second question—if in addition to reallocation you want to increase the total amount of spending by leveling up low-spending districts, how much would that cost?

So there are two separate issues involved here.

Mr. MYERS. In addition to that, there are no doubt political difficulties that would be associated with raising additional revenue. The transition, for example, from a local property tax to a statewide property tax may be fraught with difficulties on the part of State legislatures.

Sometimes the dollar figures fail to convey the whole problem.

Mr. Ford. Do you expect that the *Serrano* decision will apply a blowtorch to the tail feathers of State legislatures and give them persuasion in the direction of support to schools because they are going to face exactly that kind of a choice.

They are going to have to face the unpleasant political prospect of cutting somebody's educational funds to give them to somebody else. That is pretty hard to do and survive. By the same token, they face the unpleasantness of trying to come up with new revenues. I suspect they are going to do what State legislatures normally do when they being to feel pressure and that is to turn to Washington.

We have anticipated them on this committee for several years. There has been a bipartisan agreement on this subcommittee for some time that 30 percent or 35 percent of total costs would be borne by the Federal Government as a reasonable expectation. It has taken the Commission some time to get up enough courage to say something like that.

We had one great Presidential report which the President liked so well that he has never allowed it to be published. That report, which has been bootlegged in the Congressional Record and is now 4 years old, urges 35 percent or one-third.

Mr. Jennings. Near one-third.

Mr. Ford. That came as such a shock that the Riles Presidential Commission slipped off into space and they never reported. But Commissioner Marland last December said he thought the first year we moved, we ought to get to $12½ billion.

Your Commission has apparently accepted $6 billion as a starting place. It would appear that this committee is coming closer and closer to the assumption we either ought to get out of the business all together or start talking in terms of some place between $12 and $20 billion a year Federal money. This leaves the question, Where does it come from?

Have you had any contact with the so-called $16 billion package that has been disclosed in the press from the administration?

Mr. Myers. Yes, that was what the chairman, Mr. Pucinski, talked about quite extensively before you were able to be here, Mr. Ford. Yes, the President has requested the Advisory Commission on Intergovernmental Relations to explore the intergovernmental aspects of that proposal and to make recommendations to him.

Mr. Ford. That involves a new tax source in the form of the value added tax. It involves some sort of tax relief to the property taxpayer, some kind of income tax relief to people who pay the value-added tax as an equalizing factor, and it further involves income tax credits to nonpublic school people who pay tuition to nonpublic schools.

Mr. Myers. I don't know about the last one, sir. I had not heard of that. That is an addendum perhaps.

Mr. Ford. There are some people in the country who believe that suggestion is a firm commitment, namely, the local school interests who have taken it on such strong faith that it has weakened their resolve with respect to other projects that they had underway.

In any event, there are several kinds of tax adjustments involved and we, of course, have no idea as to what extent local judgment is going to be involved in how you juggle the question.

Do they use additional funds to increase the quality of education or do they use it for the shortrun more politically desirable purpose of reducing local property taxes?

I can't think of anybody running for any public office who would not be delighted to be able to keep the promise that, if you elect me, I will lower your taxes.

It seems to me that would be an irresistible impulse for everybody concerned. How effective have we been in our efforts to maintain when we come out with Federal funds in the education field?

We have written a lot of fancy language in bills in attempts to make an effort, but how do we launch into any kind of financial increase in Federal support without having that become an encouragement for a decrease in local support with the end result being no substantial improvement in the amount of resources going to education in given States?

Mr. Myers. Mr. Ford, really I am not qualified to answer that. I understand though there are people who have studied the impact of Federal aid on the efforts of State and local government and some of the studies have shown that State and local government have geared up more support, but I am not sure about that. Perhaps my colleagues would know of specific studies that they could cite for you on that score.

I beileve Seymour Sachs is one of the fellows who has looked at this.

Mr. Ford. You make reference here to revenue sharing and I think fairly realistically used the conservative estimate of educational capacity or ability to compete for the money that might be freed up.

Mr. Myers. Right.

Mr. Ford. There are a lot of people who tried to peddle this kind of legislation on the ground that automatically this is going to happen. Educators are a little more cynical than they used to be and they don't believe it. So the educational community has been rather cold to all revenue sharing proposals that do not spell it out directly.

They do not feel that they are treated with such generosity by their legislatures and other levels of government that they have to deal with that they want to trust to their tender mercies in determining their share.

Independent school districts have kicked up a fuss. But one of the deep problems that raises with us is that this legislation you took into account does not have any real protection against the State reducing its effort in some other way.

Perhaps there is a very controversial add onto the State sales tax and the temptation is very strong—for years we had a 4 percent. The new governor of the Socialist Party put an additional penny on and his party would love like anything to be able to be the one to go back to the 4-percent level and there is an invitation to do this when we send this money out for revenue sharing.

Mr. Myers. I think the revenue sharing bill does have a revenue effort maintenance provision and at least one part of the formula tends to suggest to States that they maintain their revenue effort and use his money as supplemental to their existing effort at the time they receive it.

I believe one of the allocation factors has a revenue effort factor in determining what the State is entitled to.

Mr. FORD. Have you made a recommendation with respect to participation of school authorities and school districts at the State or local level in revenue sharing? They have heretofore been left out as a governmental entity. They have also been left out of your Commission.

I have a bill to try to correct that. Now the township-supervisors are trying to get on it.

Mr. MYERS. I think they have preceded the schools.

Mr. FORD. They have come back to life again now and they have heard about the school board. Have you made any recommendation with respect to participation of the school board as a governmental entity for revenue sharing.

Mr. MYERS. As you know, Mr. Ford, the Commission is made up of people in general government, and we have not.

Mr. FORD. In a majority of the cases the school property tax is not a factor. The school board is an appointed school board subject to provisions for referendums on increases in taxes, and so on. But a majority of the property taxes collected in this country used for school purposes are not levied by, controlled as to amount, or in any way handled except as possibly in collection by units of general government.

If the Commission finds no reason to deal with the unit that does have the authority for taxing for schools in this country——

Mr. MYERS. Many local districts have taxing authority but I think that the court cases are indicating perhaps more forcefully than practice and tradition have shown, that the States bear a responsibility for school finance, whether it is financed through local property taxes or through State aids and support of various kinds.

Our Commission would probably take the view that the State is the responsible party here. The State authorizes the use of the local property tax by local school districts and it is through the device that school districts are separate and independent in some States.

Mr. FORD. I noted the reference in the court hearing to the reluctance of people to give up local control and the imposition of the property tax on local control. I felt it was only because of the busing controversy in Michigan that we were hearing so much of that from people. It is strange, but we have a case similar to *Serrano* in the courts now. The Governor and attorney general on a bipartisan basis started a suit to sue the State auditor because he thought that was a progressive thing to do, to try to get a *Serrano*-type resolution to the problem. But, because of the busing controversy, people have got them all mixed up together and they hate all of the parts, I gather.

There is a hue and cry about don't take away our right to local property taxes. It is a strange sort of thing but it does equate to local control and I don't think that it is very likely that political structures in the States are going to take away the school's autonomy.

The motion seems to be in the opposite direction. Most of the experts, who run around advising States on how to revise their constitutions, are talking of separating the school function from the general governmental function and giving the Governors a little bit more remote from dictatorial role in operating the schools.

Mr. MYERS. I understand, Mr. Chairman, that you had the minister of education from New Brunswick here.

Mr. JENNINGS. He was not able to come.

Mr. MYERS. That would be an interesting case study of the kind of thing that you are referring to here.

New Brunswick has gone through that ordeal. Not that the situation there is entirely analogous to our situation—a tripartite type of government, the legislative, executive, and judicial branch—because there they have the parliamentary system, but it would be of interest to look at the New Brunswick situation. We have a pamphlet and a report on that which we could provide to the staff.

Mr. JENNINGS. I would appreciate it if you would.

Mr. FORD. Do you have any other questions?

Mr. JENNINGS. No, sir.

Mr. FORD. I want to thank you for your assistance and also for the material that you have offered to send up. And I thank you in advance for the material that you have offered to send up.

Mr. MYERS. I hope you will find it thought provoking.

Mr. FORD. I start off with the preconceived notion that I want about $20 million a year Federal money for the schools and I don't want to be confused by too many factors on the way.

Thank you very much.

Mr. MYERS. Thank you very much.

Mr. FORD. The committee will stand in recess until 10 o'clock on Tuesday.

(Whereupon, at 11:55 a.m., the hearing recessed to reconvene at 10 a.m., Tuesday, May 2, 1972.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

TUESDAY, MAY 2, 1972

House of Representatives,
General Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Roman C. Pucinski (chairman of the subcommittee) presiding.

Present: Representatives Pucinski, Peyser, Quie, Bell, Hicks, Meeds, and Ford.

Staff members present: John F. Jennings, counsel; Charles W. Radcliffe, minority counsel for education; and Cindy Banzer, minority legislative assistant.

Mr. Pucinski. The subcommittee will come to order.

We are very pleased to have with us this morning the members of the President's Panel on Non-Public Education. I would like Dr. Clarence Walton, the Chairman of the Panel, to come forth along with Bishop William E. McManus and Mr. Ivan Zylstra.

We want to welcome the members of the Panel before the committee. We have been in touch with the other members and they are all on their way here, but in order to preserve our time we will get started and then let them get here as soon as they can.

There is a conference on the mine safety bill and some of our members are on that committee.

I am pleased to have the members of the Panel here this morning. Our committee has been holding hearings on the whole question of financing public education in this country and the role the Federal Government ought to play in that financing.

There is no question in my mind that with the court decisions now moving in the direction of relieving local property taxpayers, the major burden of public education and shifting the burden to both the State and the Federal Government we must address ourselves to the question of the private schools before we can hope to successfully move with any general aid legislation to help the public schools.

I am mindful of the fact that over the years this has been one of the dilemmas facing the Congress, on how to provide aid to public education and not place private education at some disadvantage in the wake of such action.

So, I am pleased to have the members of the Panel here because I am convinced that once we find an effective way to deal with the problem of our private schools we will then be able to find an effective way to deal with the problem of the public schools and for that reason I am pleased to have Mr. Walton, the Chairman of the Panel, here and of course my good friend Bishop McManus, who does such a great job in the city of Chicago and the rest of the country, and also Mr. Zylstra.

I would like to call on Mr. Peyser to perhaps welcome the panel.

Mr. PEYSER. Thank you, Mr. Chairman. I would just like to lend my equal enthusiasm in the effort to relieve or eliminate some of the apparent fears which exists in this critical area that is of concern to all of us. I have looked at your report published here and I look forward to your presentation this morning and hope we can have a fruitful exchange of ideas. Rather than take any more time at this point, I suggest we get into the actual testimony and the opportunity then to talk with you.

Thank you, Mr. Chairman.

Mr. PUCINSKI. I would like to place in the record at this point H.R. 12499 which I introduced in January of this year. This bill permits a 50-percent tax credit for tuition paid by parents who send their children to private schools.

After very careful analyses of the whole series of court decisions, it was my judgment that this would be the most effective means of helping the parents who were carrying the burden of financing education in private schools.

I will also place in the record at this point the statement I made at the time when I introduced the legislation.

(The bill and statement referred to follows:)

[H.R. 12499, 92d Cong., second sess.]

A BILL To amend the Internal Revenue Code of 1954 to allow a credit against income tax to individuals for tuition expenses incurred in providing private nonprofit elementary and secondary education

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subpart A of part IV of subchapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by renumbering section 42 as 43, and by inserting after section 41 the following new section:

"SEC. 42. TUITION EXPENSES FOR PRIVATE NONPROFIT ELEMENTARY AND SECONDARY EDUCATION.

"(a) GENERAL RULE.—There shall be allowed to an individual, as a credit against the tax imposed by this chapter for the taxable year, an amount equal to 50 percent of any amounts paid by him during the taxable year as tuition for the education in a private nonprofit elementary or secondary school of any dependent with respect to whom he is entitled to a personal exemption under section 151(e).

"(b) LIMITATIONS.—

"(1) AMOUNT PER INDIVIDUAL.—The credit allowed a taxpayer under subsection (a) for amounts paid as tuition for the education of any dependent may not exceed $500 in any taxable year.

"(2) CREDIT CANNOT EXCEED LIABILITY FOR TAX.—The credit allowed under subsection (a) to any taxpayer may not exceed the excess (if any) of the tax imposed by this chapter for the taxable year over the sum of the credits allowable under section 33 (relating to foreign tax credit), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), section 38 (relating to investment in certain depreciable property), section 40 (relating to expenses for work incentive programs), and section 41 (relating to contributions to candidates for public office).

"(c) PRIVATE NONPROFIT ELEMENTARY OR SECONDARY SCHOOLS.—The term 'private nonprofit elementary or secondary school' means an educational institution—

"(1) which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on;

"(2) which regularly offers education in any of the first twelve grades (but, in the case of an institution also offering education at a higher level, only to the extent that it offers education in the first twelve grades);

"(3) which is operated in compliance with compulsory education law of the State; and

"(4) which is owned and operated by one or more private nonprofit corporation or associations contributions to which are deductible under section 170 (b)(1)(A)(ii), and no part of the net earnings of such school inures, or may lawfully inure, to the benefit of any private shareholder or individual.

"(d) Regulations.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section."

(b) The table of sections for such subpart A is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 42. Tuition expenses for private nonprofit elementary and secondary education.

"Sec. 43. Overpayment of tax."

Sec. 2. The amendments made by this Act shall apply to the taxable years beginning after the date of enactment of this Act.

Tax Credit for Parents of Private School Children

Congressman Roman C. Pucinski (D.-Ill), Chairman of the House Subcommittee on General Education, introduced today legislation to give a tax credit equal to one-half the tuition charged parents whose children attend private elementary and secondary schools.

Pucinski said that his measure is designed to implement his Partnership in Education Act which would have the Federal government assume one-third the cost of all public elementary and secondary education by 1974.

Pucinski said he hopes his subcommittee will report out a general aid bill in the wake of court decisions holding that local school districts can no longer rely on local property taxes to sustain public education.

"I know from long experience that we must first find some constitutional way to assist the nation's private schools before we can pass a general aid bill to public schools," Pucinski said.

"I believe the tax credit approach will clear the way for a general aid bill."

"The Pucinski tax credit bill, reducing the Federal income tax paid by parents of private school pupils, has been referred to the Ways and Means Committee of the House of Representatives.

Pucinski's Partnership in Education Act which would authorize grants totaling $12 billion annually by 1974 to public elementary and secondary schools when the Federal government assumes one-third the cost has been referred to the General Subcommittee on Education of the Education and Labor Committee.

Pucinski serves as chairman of that sub-committee.

In introducing the bill, Pucinski stated:

"The time has come for the Federal government to ease the crushing burden placed upon the shoulders of parents of private school pupils. These parents must not only pay heavy property taxes to support public schools in their community, but they must also pay additional tuitions for each of their children attending a private elementary or secondary school.

"The mere existence of private schools saves all taxpayers a substantial increase in their taxpaying. If all private schools were to close or turn public, the added burden on public funds by the end of the seventies would exceed $4 billion a year in operating costs alone, with an estimated $5 billion more for facilities.

"Today 5.1 million children attend private elementary and secondary schools, but many of these schools are facing their worst financial crisis ever. Within the last 5 years Catholic schools alone have lost almost ¼ million students. Lutheran and other religious schools are facing the same pressures.

"I believe that the Federal government must first assist the parents of children attending these schools if we are to enact meaningful legislation to help finance public schools with federal aid."

"This assistance is absolutely essential to maintaining the quality of education in public schools since the closing of private schools would force their 5 million students into our already crowded public schools."

"The reason I have proposed a tax credit for private school tuition, instead of a tax deduction, is that I want to make sure that the lower income taxpayer, the ordinary working man, is helped by this measure. Many of these people, who are the backbone of our economy, are not assisted by tax-deductions because they don't itemize; they take the standard deduction. And yet these are the taxpayers who need this help the most—who feel the burden of double taxation the greatest.

"I believe the tax credit approach will meet the constitutional test and clear the way for passage of legislation for urgently needed massive Federal aid to our beleaguered public school systems.

"Tax credits to parents of children attending private schools meets the Supreme Court test of non-entanglement by the State in the management of private schools."

Pucinski said his legislation takes on new urgency in the wake of the Illinois Supreme Court decision Monday which struck down direct State aid to parochial schools.

The proposal permits a 50 percent tax credit on the cost of tuition for each child in a family, but places a limitation of $500 credit for each such child.

The bill would prohibit any tax credit for tuition paid to a private school established to avoid integration.

Mr. Pucinski. I am very pleased to see in the report on "Nonpublic Education and the Public Good," that the President's Panel on Nonpublic Education suggests that this is one of the many ways to help private education. So we are anxious to hear your views on that, too. We will insert at this point your letter to the President on April 14 which sets forth a short summary of your recommendation and also Dr. Walton's statement.

(The information referred to follows:)

President's Panel on Nonpublic Education,
Washington, D.C., April 14, 1972.

The President,
The White House,
Washington, D.C.

Dear Mr. President: I have the honor to submit to you the final report of the President's Panel on Nonpublic Education which you established on April 21, 1970. Throughout its deliberations the Panel has kept uppermost in mind your request for recommendations "that will be in the interest of our entire educational system."

Our findings confirm your initial assessment of the nonpublic school situation: enrollments are falling and costs are climbing. The trends, however, are neither inexorable nor inevitable if certain initiatives are undertaken. We have sought to discover reasons for, and implications of, enrollment losses. While the causes are multiple, interrelated, and difficult to isolate, the implications are clear. If decline continues, pluralism in education will cease, parental options will virtually terminate, and public schools will have to absorb millions of American students. The greatest impact will be on some seven of our most populous States and on large urban centers with especially grievous consequences for poor and lower middle-class families in racially changing neighborhoods where the nearby nonpublic school is an indispensable stabilizing factor.

The social and economic costs to the Nation are too high to bear when compared to the lesser costs for effective public intervention. The Panel, therefore, makes these four major recommendations:

(1) A Federal Assistance Program for the urban poor through a four-pronged approach which includes: (a) reimbursement allowances to welfare families for expenses connected with sending their children to nonpublic schools as well as supplemental income payments to the working poor for this same purpose, (b) experimentation with voucher plans for parents of inner-city school children, (c) strict enforcement of the Elementary and Secondary School Education Act so all children receive the full benefits to which they are entitled, and (d) adop-

tion of a Commission on School Finance recommendation for an urban education assistance program to provide interim emergency funds on a matching basis to large central-city public and nonpublic schools;

(2) Federal income tax credits to parents for a portion of nonpublic school tuition expenditures;

(3) A Federal construction loan program;

(4) Tuition reimbursements on a per capita allocation formula in any future Federal aid program for education.

Because the crisis is most acutely felt by church-related schools, notably Roman Catholic, the Panel has given serious attention to the constitutional issue. It is persuaded that although direct aid to nonpublic schools is prohibited, aid to parents and to children will pass judicial muster. Anticipating that such recommendations may provoke a debate of significance to all American education, the Panel presents criteria which, hopefully, will prove germane and useful.

But the recommendations have not sought to evoke public response only. Much can be done by the nonpublic school community to help itself. Concrete suggestions, which can be adjusted to the needs of different nonpublic schools, have also been made. Conscious of the great needs in the public sector, the Panel has acted on the premise that while nonpublic schools need and deserve outside help, large efforts of self-help are also required. A private voluntary enterprise (a waning aspect in American life) must retain substantial responsibility for its own affairs, lest it become private and voluntary in name only.

One final note: the next few years are critical to the future of pluralism in education. Whatever is done must be undertaken with a profound sense of urgency.

Respectfully submitted,

CLARENCE C. WALTON, *Chairman.*

STATEMENT OF DR. CLARENCE WALTON, PRESIDENT, THE CATHOLIC UNIVERSITY OF AMERICA

Mr. Chairman, my name is Clarence Walton, and I am President of The Catholic University of America. It has been my singular privilege to have served as Chairman of the President's Panel on Nonpublic Education. Working with me on the Panel were Bishop William E. McManus—Director of Catholic Education for the Archdiocese of Chicago, William G. Saltonstall—former Headmaster of Phillips Exeter Academy and Ivan E. Zylstra—Administrator for Government Relations for the National Union of Christian Schools.

The Panel came into being on April 21, 1970 when President Nixon charged it to do the following:

1. to study and evaluate the problems concerning nonpublic schools;
2. to report the nature of the crisis confronting nonpublic schools;
3. to make positive recommendations to the President for action which would be in the interest of the entire national education system.

On April 17, 1972 the Panel submitted its Report, entitled *Nonpublic Education and the Public Good,* to the President and it is this Report that I should like to summarize. The summary can best be presented by noting particularly the Panel's (1) most significant findings of fact (with implications flowing therefrom) and (2) its major recommendations for government action. It should be noted, parenthetically, that the Panel has accepted the premise that the nonpublic school community can do more to help itself and has proposed thirteen concrete ways for self help. However, these reommendations are not incorporated in this summary.

(1) MAJOR FINDINGS AND THEIR IMPLICATIONS

(a) Nonpublic schools constitute a varied academic enterprise. While it is commonplace to divide nonpublic schools into two basic types—independent and church-related—generalizations about them, even when so classified can be dangerously misleading. Some are young institutions struggling for survival, and others are venerable institutions with origins dating to early colonial days; some offer revolutionary new curricula while others are content with traditional approaches; some are in great demand, while others face a threatening future. There are 3,200 independent schools and approximately 18,600 church-related schools, the largest group of which are Roman Catholic whose 12,000 schools enroll 4.37 million pupils, constituting eighty-three percent of the total nonpublic schools membership.

(b) These schools provide for over 5,000,000 students with enrollment concentrations found in the following states: New York (789,110), Pennsylvania (518,435), Illinois (451,724), California (398,981), Ohio (339,435), New Jersey (298,548), Michigan (264,089), and Massachusetts (205,011). These eight industrialized and urbanized states are heavily encumbered by costly public services, with serious financial crises a distinct possibility.

(c) The significance of nonpublic school enrollment for metropolitan areas is suggested by a simple statistic: eighty-three percent of such enrollment is found in these regions. In the twenty largest cities nearly two out of five children are enrolled in nonpublic schools. In changing neighborhoods of such cities exist balances so delicate that access to a school of choice affects a decision to move or stay; in the cities, too, are found other changing balances because unemployment, poor housing, infant mortality, and crime hit the poor with vengeance. For example, a statistical sampling of county unemployment rates, welfare case loads, and housing vacancies as these affect Chicago, Detroit, and Milwaukee reveals a consistently higher city rate than found in adjoining communities. The obvious conclusion is that if the nation needs vigorous cities, vigorous cities need their nonpublic schools.

(d) For the past 5 years nonpublic school enrollment has been moving downward at an alarming six percent annual rate. If this trend continues enrollment will be about twenty-five percent less in 1975 than in 1970. The presently distressed area is Roman Catholic, where exists a distinct possibility that within a 15 year period, 1965–1980, enrollment may drop by almost sixty-five percent. While attention has been focused on Roman Catholic schools because they represent the largest and hardest-hit nonpublic segment, the problem is not exclusively theirs. During the past two years enrollments in independent schools have declined about eleven percent; at military schools, ten percent; at boarding schools, four percent. Despite present rates for boarding students in excess of $4,000 a year, cost continues to outrun income. Ten years ago, only a quarter of the nation's independent schools were operating with deficits; by 1971 the figure had doubled, and about twenty-five private schools have closed doors since 1968.

(e) If nonpublic school enrollments continue to decline at the present rate some $3,000,000,000 of added operating cost could annually fall on their already heavily burdened public sector. The heaviest burden will fall on seven industrial states and on major urban centers which desperately need stabilizing support, from every source.

(f) The sociocultural cost may prove more prohibitive than dollar costs especially for racially changing neighborhoods.

(2) MAJOR RECOMMENDATIONS FOR GOVERNMENT ACTION

The urban poor require help. Studies on urban education offer incontrovertible evidence that thousands of children in the heart of large cities are locked into a tight cycle of unending deprivation which starts with substandard housing, insufficient diets, and inadequate schools. Retarded in basic skills by the end of the third grade, unable to undertake creative work in intermediate grades, and frustrated by their growing inability in the upper grades, thousands start high school with self-fulfilling prophecy that they will be on the drop-out list at age sixteen—idle, unwanted, and unemployable.

Better schools alone will not solve inner-city problems; nor will huge sums of money break the awful cycle of poverty. Nevertheless, a comprehensive Federal urban assistance program can be used to restructure urban education so it will meet more effectively the needs of the urban poor. Frustration has been generated by the needless complexity and seeming aimlessness of a multiplicity of well-intentioned but poorly designed Federal programs.

The urgency of Federal assistance to the poor in urban public schools is evident, but equally in need are these same children in nonpublic schools. These pupils, too, need experienced and devoted teachers as well as a curriculum designed for inner-city conditions, psychological testing and remedial services, and a full range of audiovisual equipment and supplies, health and nutritional programs, counselling for their parents, safe and clean school buildings, and a rich extracurricular program. Many are not receiving all these special services because their schools are generally on an austerity budget, with some on the verge of closing this June.

(a) The Panel recommends that welfare reform legislation should include provisions for a supplemental budget allowance for reimbursement of nonpublic school tuition to (1) parents of a child eligible for aid to dependent children, and (2) to parents in the category of the "working poor." This recommendation is consistent with the objectives of welfare reform, is relatively inexpensive and is a practical way to allow the poor to exercise real choice of schools. Indeed, welfare reform rests on the premise that in an affluent nation, citizens should be able to support themselves without relying on monetary aid from the government. This is why most welfare reform plans include a provision for incentive allowances to welfare recipients pursuing an education, training, or rehabilitation to render themselves economically self-sufficient. The proposal's cost is modest. An unpublished staff study of the Joint Committee on Internal Revenue Taxation (February 10, 1972) is the basis for the Panel's estimate that supplementary payments toward tuition cost for welfare recipients and the working poor would not exceed a total maximum of $30 million a year. This total presumes that about 370,000 children from approximately 175,000 families with annual adjusted gross incomes less than $5,000 would be eligible and that the average tuition allowance would be somewhat less than $100 per child. This means that extra funds would have to be raised from church donations and other sources.

(b) The Panel recommends experimentation with the voucher plans which afford parents of inner-city children genuinely free choice between public and nonpublic schools.

There is a pressing need to determine whether inner-city parents with vouchers in hand could bring about improvements in both public and nonpublic schools. In a laudable effort to help the poor, reforms are often conceived by public officials and implemented by public officials as they perceive the needs of the poor, not a few of whom, however, would like less service and more freedom. The voucher plan is a step in that direction.

(c) The Panel endorses the recommendation of the Commission on School Finance for the "initiation by the Federal government of an Urban Education Assistance Program to provide emergency Federal aid on a matching basis, over a period of at least five years, to help large central city public and nonpublic schools finance such programs as (1) development of experimental and demonstration projects on urban educational problems; (2) replacement or renovation of unsafe, unsanitary, or antiquated school buildings and equipment; (3) addition of remedial, bilingual, and special teachers and professional personnel; (4) addition of teacher aides and other supporting personnel, and provision of instructional materials and services."

(d) The Panel recommends prompt enactment by Congress of legislation to authorize Federal income tax credit to parents for part of tuition payments to nonpublic elementary and secondary schools. Private investment in nonpublic schools can only be approximated. One U.S. Office of Education study estimated the nonpublic schools' total annual operating cost at $4.7 billion, while a conservative staff figure was less than half that amount.

Estimating the costs for a total amount of tax credit which parents of nonpublic schools could claim on the proposed legislation is difficult. An unpublished staff study of the Joint Committee on Internal Revenue Taxation, dated February 10, 1972, has the latest and probably the most reliable estimate. By considering both low-income families whose tuition payments exceed their tax liability and high-income families whose credit would be reduced under the proposed legislation, this study estimates the cost to the Federal Government at approximately $500 million.

(e) The Panel recommends legislation leading to the establishment of a Federal construction loan program analogous to the F.H.A. instrumentality for home buyers.

The Federal Government has a successful history of substantial loans for construction of educational facilities and further precedents in the National Defense Education Act, where NDEA loan programs have helped millions of American students. Certain nonpublic school enrollment losses have been attributed to a combination of mobility and resulting opportunity loss; when families with children enrolled in nonpublic schools move from one place (usually urban) to another (usually suburban) they find nonpublic education is not available. In the new area the first hurdle to alternative education is the construction cost, which, incidentally, tends to run higher in the very areas where many church-related schools have placed greatest emphasis.

(f) Convinced that Federal government will be more deeply involved with long-range programs of Federal aid to education, the Panel recommends a tuition reimbursement process for nonpublic school children to assure full equity in all such undertakings.

The foregoing are made because educational pluralism, freedom of choice, and cost factors all suggest that the public interest will be served by certain Federal interventions on behalf of nonpublic school pupils.

Respectfully submitted,

CLARENCE C. WALTON, *President.*

STATEMENT OF CLARENCE WALTON, PRESIDENT, THE CATHOLIC UNIVERSITY OF AMERICA, ACCOMPANIED BY BISHOP WILLIAM E. McMANUS AND IVAN E. ZYLSTRA, REPRESENTING THE PRESIDENT'S PANEL ON NONPUBLIC EDUCATION

Dr. WALTON. Well, Mr. Congressman, we are very grateful for this opportunity to come and, in coming, I suppose one should stress the fact that the three of us are speaking this morning in terms of the panel report itself as a panel group. We might want to reserve judgments individually on some of the specific bits of legislation that you have been kind enough to provide.

Very briefly, I accept the invitation to have a give and take and my summary will be possibly inordinately brief. We spent 2 years as a four-man panel and concurrently the four of us, including Mr. Saltonstall, who is absent this morning unavoidably, but were also members of the Commission on School Finance. In looking at the Commission's report, Mr. Chairman, some of us felt that while its emphasis on full State funding was appropriate, the Federal Government would still have to take a more active role if quality education is to be provided.

On the report itself that we submitted called "Non-Public Education and the Public Good," I might summarize very quickly some of our major findings of fact and some of the implications flowing therefrom and then, most importantly, our basic recommendations.

But before doing so, I should stress the fact that we made a series of recommendations, 13 in number, to the nonpublic school community itself on the premise that (A) the public sector was very desperately in need of financial funds and therefore we could not expect any kind measure of full funding and (B) on the further premise that, in our society, nonpublic organizations have to carry primary responsibility for their own survival and effectiveness.

I shall not speak to those recommendations to the nonpublic sector, but I want to underscore the fact that we are arguing for the notion that "God does help those who help themselves."

On the Panel report, let me indicate some of the findings. Number (1) From testimony, from examination of documents, and from our own insights, we were lead to the conclusion that most Americans do prefer the pluralism in education and that the nonpublic schools are no longer looked upon as a devisive factor in our society.

(2) When we looked at our ideological predilections we came to the conclusion that choice and a parental involvement in education are both extraordinarily important and ought to be preserved.

Finally, when we look at the enrollment patterns in nonpublic schools, we are aware of the sharp declines in enrollment that have occurred in the past 7 or 8 years. Not all are aware of the fact that nonpublic school enrollments are concentrated in about eight of our industrialized most populous States, many of which are already heavily encumbered with budgetary demand for the variety of public services. And not too many are aware that the nonpublic school phenomenon is largely an urban phenomenon and therefore if we need vigorous cities in America it is our considered judgment that vigorous cities do require a pluralistic system of education.

From those findings we made assessments of what it would cost to the public purse if the nonpublic school system literally collapsed and our judgments lead us to believe very strongly that for economic reasons alone the public interest would be served by moderate, reasonable but effective penetrating steps by the Federal Government.

I should underscore the role of the Federal Government to help sustain the nonpublic school enrollments because this is in the national interest.

Beyond the economic cost, there are, particularly in racially changing neighborhoods, enormously important psychological and sociological prices to be paid if the nonpublic schools go out of existence.

So, on these conclusions we moved rather quickly to some recommendations that we thought would be appropriate for the Federal Government. We started off with an awareness that it is the inner-city poor who are mostly blocked into a cycle of grinding poverty and nonchoice. Therefore, the panel addressed itself to the needs of these human beings and what might be done to help break this grinding cycle of imprisonment.

We came to the conclusion that, for the urban poor, some of the proposed reform legislation for welfare might well incorporate an additional stipend, possibly up to $100, for those working poor or for those on relief who wished to send their children to a nonpublic school. This we did on the assumption that behind all public welfare reform is the idea of getting people into the workstream, that work is enabling, and that Americans do have a right to work. Therefore, anything that is done to improve the skills of parent or child is a contribution to the public good.

Secondly, we feel strongly as a panel that more imaginative use of the voucher system should be done, particularly in inner-city areas, so that again the poor may have a reasonable opportunity of choice in education for the child and that we might learn whether or not the voucher system has the positive good that its protagonists suggest.

We do want obviously full participation in all ESEA programs or in any revisions therefore and finally we feel that an urban assistance program for urban public and nonpublic schools makes sense.

So, our first thrust therefore was to respond to the needs of the American poor. But there is a second level of Americans who may be in that $7,500 or $15,000 range who are carrying their full measure of tax support for a variety of worthy causes and at that level we feel that tax credits represent the most logical way for meeting the needs of these people.

We do believe that no tax credit program should be incorporated which would go beyond a 50-50 arrangement, meaning that the parent or the sponsors would have to carry about half of the cost of education.

We also believe that there should be a cutoff point above which there would be either sliding scales or tax credits or total elimination of tax credits. If there is a thrust of tax credit legislation, the thrust should be to help those people whom we describe generally as middle-America.

Beyond that, we feel that in the urban areas the Federal Government might experiment imaginatively with low-cost loan programs for construction of facilities. And that this, too, might teach us a fair amount of good that, could be employed for the inner-city rehabilitation of schools themselves.

Now, there were our three major suggestions and I think it is the panel's view that if we were forced to priorities, we would obviously insist that the poor and the middle-class deserve the most attentive care or attention by the Federal Government.

Mr. PUCINSKI. Bishop McManus?

Bishop McMANUS. I would add one further recommendation pertinent to the bills pending before the committee. We propose that if there is a program of general Federal aid, there should be a guarantee of nonpublic school pupil's participation by means of tuition reimbursement.

After looking at all of the court decisions we had at the time we were writing the panel report, it was our considered judgment that the best vehicle for delivering a part of general Federal aid should be tuition reimbursement and that is included as our final recommendation for the Federal Government in the panel report.

Mr. PUCINSKI. Mr. Zylstra?

Mr. ZYLSTRA. I don't believe I have anything to add, Mr. Pucinski. I will say this—and I might be more sensitive than others on this issue—when we talk about nonpublic schools in America, we are thinking in terms of all the nonpublic schools and not just the Catholic schools. There are many others and we considered the full range of nonpublic schools in our recommendations. When we speak in terms of nonpublic education, we have religious-oriented schools involved, but also the independent schools as well as the other schools which do meet the criteria of compulsory education laws in the various States.

I am sensitive to this because often the stress is on Catholic education in particular, but it is more comprehensive than that.

Mr. PUCINSKI. Your report says 5,282,000 students are attending private schools in the country. Does that include all of them?

Mr. ZYLSTRA. It does.

Mr. PUCINSKI. The religiously oriented schools as well as private?

Mr. ZYLSTRA. Yes.

Mr. PUCINSKI. And that is 10 percent of the Nation's school population?

Mr. ZYLSTRA. About 10 percent.

Mr. PUCINSKI. Mr. Walton, you mentioned the percent of the cost would be very substantial if the private schools were closed, but you didn't give a figure. Do you have a figure?

Dr. WALTON. We have obtained various estimates because it is difficult to come down hard and straight on what are the operating costs of some of the nonpublic schools because their budgets are intermingled with some of the sponsoring institutions. But the numbers have run from a little better than $3 billion annually to close to a $7 million estimate by the USOE. The cost of providing aid to the poor through extension of the welfare reform programs it would run, on the basis of material that we had privilege to examine, about $50 million. And the tax credit proposals would run to an estimated $500 million.

Bishop McMANUS. I think the point Mr. Pucinski was asking about was the chapter on the public cost of private failure in which we relied upon data collected by the University of Notre Dame, by Boston College, by a number of other researchers on what the estimated additional tax cost would be to the public if all nonpublic schools were to close down.

Notre Dame's study has a variety of formulas for estimating that. Each formula has its own set of presumptions. One presumption is based on keeping the public schools just as they are with their present pupil/teacher ratio and another presumption is they would greatly increase their pupil/teacher ratio.

The cost then is very much related to the condition that the public schools would be maintained. Page 19.

Why don't you give them the facts on that if you have that.

Dr. WALTON. Well, the estimate was $7 billion for what they called low excess capacity formula.

Mr. PUCINSKI. In other words, if the private schools of this country were to close, the public schools' budget would have to be increased by a total of $7.7 million on the high side, the highest estimate, and that is to absorb the children in the public school system.

Could the public school system absorb this large body of American students?

Dr. WALTON. In the very areas where there are the heaviest concentration of nonpublic school enrollments, my considered judgment is that many of them could not. For example, we have had a study made we called, "An Urgent Profile" in Philadelphia. The Philadelphia schools at this moment are in such desperate financial straits that any addition of any extra pupils, even with more State money poured into Philadelphia and even with outmigrations to the suburban areas, Philadelphia could not sustain the cost of absorbing the transfer students.

Mr. PUCINSKI. Bishop McManus, what is the situation in Chicago?

Bishop McMANUS. Your question is, "Could the public schools absorb all of the nonpublic schoolchildren in the city of Chicago?" We are talking specifically about the 210,000 to 215,000 pupils. I suppose that the public schools, if they were to exercise the right of eminent domain and take over all of the Catholic school buildings and if they were to get permission from the State legislature to hike their taxes anywhere from 30 to 40 percent, could take them over.

I doubt whether this is going to happen for one very good reason, namely parents of nonpublic schoolchildren in Chicago are not disposed to have children transferred over to the public schools. They are going to maintain them and they are going to seek support for them.

I really don't like to dwell on the question very much, although we did bring it up in the report because research was done on it. The posture I take as an educator is that the cities of Chicago, New York, Philadelphia, and Boston need strong public and nonpublic schools.

We are going to have successful cities and make them places where people want to live only if we maintain high quality education in both public and nonpublic schools. I don't like to plead for aid for nonpublic schools with the threat that if we don't get it we will move everybody over into the public schools. I don't think we will unless the economic conditions get so terrible we can't help it.

Our posture on the panel, I think, is totally positive. It is a good thing we served on both the Commission and the Panel. As Commission members we made very significant recommendations for public education and for improvement of the nonpublic schools. Doing both I think is the kind of statesmanship we are looking for and we are confident we are going to receive from this committee and from the Congress.

Mr. PUCINSKI. I wonder if anybody would like to address themselves to the differences in approach? The full commission recommended that the States take over most of the problem of financing public education and recommended a rather limited rule for the Federal Government.

I notice your Panel, on page 33, takes a different position vis-a-vis the nonpublic schools and you say "In light of current constitutional and fiscal matters, it is the Panel's considered judgment that public interest requires the Federal Government to take major initiatives toward a solution of the financial crisis in nonpublic education."

So the Panel wants the Federal Government to take major initiative in solving the problems of nonpublic schools but the Commission recommends the States take the major force or brunt in financing public education.

Dr. WALTON. Could I respond to that?

Mr. PUCINSKI. Yes.

Dr. WALTON. I entered a minority view on the Commission report, Congressman Pucinski, where, on the basis of everything I could perceive as a commissioner, I felt, and used the words—and I hope I paraphrase myself reasonably right—I used the words, "The Federal Government must take on more nearly a coequal role if quality education is to be provided to all of our students."

I did that in the light of three things: (1) a clear knowledge that bond issues were not cutting it as handsomely as they once did and the local taxpayer was somewhat in a reluctant mood, (2) there were uneven treatments among the States, and, (3) the Federal Government had ESEA and other bits of historic legislation, which had given it already a position of leadership.

So I think my philosophy, Mr. Chairman, is much nearer yours. All I did was extend that philosophy into the panel report and say that since this is truly an area where the Federal Government can take the major initiatives that would give an immediate equal payoff for all, that is where the inititaives can first come.

Many things make it impossible for the States to take the initiative.

Bishop McMANUS. I think you are identifying the ambivalence and I would concede that as a member of the Commission on School Finance I saw merit in the ideal of full State funding, stimulated by Federal incentives. I saw that as an ideal largely in light of a philosophy of the *Serrano* decision which has declared that the quality of a child's education in a particular State should not be conditioned upon the amount of local taxes available for it. As there should be equality of education among the States, there should be equality of educational opportunity within the State. Full State funding, I think, would be a step toward equality of educational opportunity within each State. Beyond that, we are going to need Federal aid to achieve educational equality among the States.

I filed a dissenting opinion on the Commission's report on Federal aid for the central city. I recommended that there be an emergency action and that the large cities be given moneys just to keep the schools going. The Commission has recommended the Federal aid for demonstration projects, for additional teachers and for the employment of paraprofessionals, and these are good ideas, but ahead of them must come Federal aid to keep the schools open until the end of the term. As you know, Mr. Pucinski, in Chicago the public schools are threatened with the prospect of closing early because they can't pay for the ordinary services.

I think Federal aid of an emergency character is desperately needed by the cities until such time as they can revise their tax structures and until State funding becomes a reality rather than merely an idea projected in a report.

I just have one further remark. Saying in our panel report that the nonpublic schools have to turn to the Federal Government sounds a note of realism. The nonpublic school represents, if you will, a minority interest in the educational pattern. I think as part of our system of government, the minorities generally turn toward the Federal Government.

They generally get a better hearing. There is a sensitivity on the Federal level toward minorities that sometimes is not evident locally or even on a statewide basis. The concept of absolute majority rule seems to prevail in much of the thinking on State and local levels.

They generally want a referendum, you know, to find out what the law should be, whereas on the Federal level there is the awareness that we are a pluralistic culture and that there has to be attention to the needs of the smaller groups as well as to what the majority wants.

In view of that basic political consideration, and I don't use "political" in a partisan sense, it is proper to say that realistically any hope for the emergency aid which the nonpublic school sector needs will be found on the Federal level rather than on the local level.

Mr. Pucinski. I certainly agree with your analysis. That is why we have before the committee now the Partnership in Education Act, which would hopefully set a national floor of no less than $1,200 per student and the Federal Government to assume one-third of that cost.

I agree with you the hearings we held last year on the educational needs of the seventies clearly demonstrate that local governments can no longer bear the cost of public education and State governments are already pretty much at their maximum level.

So we have to turn to the Federal Government. I appreciate that emphasis on it.

Mr. Zylstra. I think in speaking or advocating full State funding for public schools, and the panel had to recognize this question, too, a serious question before us becomes "If it is going to be full State funding for the public schools, will it put nonpublic schools in a more seriously disadvantaged situation?"

When we state that in light of the current constitutional and fiscal matters, we think in terms of Federal aid for nonpublic education.

Mr. Pucinski. I have one final question and will yield to Mr. Bell.

In your panel report, you stress the fact that the private schools are one of the most effective stabilizing factors in retaining urban communities and if the private schools were to close down, for instance, like in Chicago—I imagine it would be true in Cleveland, Detroit, and so on—there would be a tremendous flight of families from the cities, a further flight than we have already witnessed.

Would you like to elaborate on that?

Bishop McManus. I would elaborate from our district, if you wish, which is in the outer fringes of the city of Chicago. I think that in the large cities there is not a diminishing but a growing ethnicity.

I am inclined to think this is all to the good. It is cropping up now in schools, in parish celebrations and the like. The international festival now is becoming one of the most popular events that can be staged by a parish. Given this increase in ethnic thought and feeling, the people are showing a more affectionate attachement to their nonpublic schools.

Some are sending their children to the nonpublic school not so much because of religious compulsion, but more out of a deep conviction that the nonpublic school is preserving a heritage which is a blend of ethnic tradition, independence, and religion.

So the preservation of these schools to which people are attached is a means of preserving the neighborhoods adjacent to the schools.

The point I am trying to make, perhaps not too clearly, is that people who send their children to a nonpublic school generally do not regard it as a service, something that they have paid the Government to provide for them, but as something which is their personal property.

People refer to the nonpublic school very affectionately as "our school" and they feel they are really stock holders in it. Now, with the emergence of school boards and less ecclesiastic control of schools, lay people are becoming even more enthused.

When people love something, they make great sacrifices for it and stay with it. I think, and I don't want to be sentimental, it is the affection for the nonpublic school which will anchor the people in neighborhoods and keep them there.

Dr. Walton. I don't want to belabor the point, but I would associate myself with the way my college has analyzed this ethnic commitment, and add to it the dimension.

About 5 or 5 and a half years ago when I was dean of Columbia University in New York, I was asked to chair a group responsible for administering a $10 million program to make Columbia more relevant to urban needs—with money advanced by the Ford Foundation.

In the course of that assignment, I obviously talked to people from Bedfort-Stuyvesant and, most particularly, from Harlem. What came out clearly to me as a simple message was this—and I do not use this as any critique of any public school system—people in those areas felt very strongly that the public school administration was remote, not fully sensitive to their needs. The notion of possession of "our school," whether it was Harlem Prep or one of the street academies, or whether it was some of the church-related schools in Harlem, was very pronounced.

So I do believe that anything that is done to keep stability there, Mr. Congressman, is most important. I do hesitate however, jumping to the conclusion there will be a mass exodus because predictions are notoriously tricky to make.

Mr. ZYLSTRA. Yes. I would agree with my colleagues. We also found in researching the Detroit area that when nonpublic schools close within the inner cities, there is an exodus to the suburbs.

I believe we find the same thing in Grand Rapids, Mich., where we have a number of nonpublic schools in the inner cities which are contributing to the retention of a mixed population within the inner city. Should these schools close, the predictions are that many of the people would be going to the suburbs and moving out of the inner city area.

Mr. PUCINSKI. Well, Bishop McManus, I am very pleased to hear you talk about the revival of the ethnic awareness in America. I had anticipated this and it is apparent you are a proven prophet, and 2 years ago I introduced the ethnic studies bill and at that time they said, "who needs it," and as a matter of fact, I had a tough job convincing members of my own committee at the time.

As this phenomena develops today, there are people that are beginning to more and more realize that ethnic awareness is becoming a very important part of the whole social development of our country. So I am glad to hear you say that.

Mr. Bell?

Mr. BELL. Thank you, Mr. Chairman. In view of recent Federal court decisions prohibiting tuition grants to children attending private schools, how can the private school children participate in the benefits of a general aid to education bill?

Dr. WALTON. Congressman Bell, I am no constitutional authority on this. Obviously, these two decisions raise enormous problems. One or two things might be said.

The *Pennsylvania* decision was an interesting one in that the defendant had filed simply for dismissal and the court, without hearing the merits of the case, went on to render a decision, which is most unusual and which I think will obviously be appealed, so the full argument can occur.

I have not read the *Ohio* case. I tried to get a copy of it, Congressman, but the only thing I can say is that we had a long and interesting history of judicial interpretations.

We once argued that "separate but equal" was an adequate way of treating people, and that, as we saw and percieved public interest for what it really was, the courts showed a capacity to take into account the public interest.

Some of the recent decisions, in my honest judgment, simply had failed to pierce what we call the "institutional veil," which is simply one aspect of the church-state relationships. They have not looked at the needs of the child or the needs of the country in terms of the resources that child might provide.

So you put your finger on a most sensitive thing for which I do not have the legal expertise to provide a full response, but I think it should be challenged right down the line to the Supreme Court.

Mr. PUCINSKI. Perhaps you want to call attention to your statement on page 30 on constitutional guidelines that you list in your own report, and what has to be met to do the things that Mr. Bell started raising his questions about.

Bishop McManus?

Bishop McMANUS. The court decisions were handed down after the report was finished. I have read the *Ohio* decision with great care and have talked to attorneys about it. I feel it should be appealed to the U.S. Supreme Court.

The *Ohio* decision relies heavily on the decision in *Lemon* and *DiCenso* written by the Chief Justice of the Supreme Court, Mr. Burger, and on the "excessive entanglement" angle.

In summary, I think the *Ohio* decision, as I read it, said that tuition reimbursement or parental reimbursement, as prevails in Ohio, meets a secular purpose. It was helping parents meet the requirements of compulsory education and on that score it was all right.

The Court had some doubt as to whether it had a secular effect on the score that the principal beneficiaries in fact were parents of Roman Catholic schoolchildren. This raises an interesting question, as to whether the courts will decide the constitutionality of a law in terms of what it says on its face or how it works out in practice.

It is an interesting problem in constitutional law, on which I certainly don't have firm judgment.

Mr. Bell. It appears that there is some doubt in your mind as to the propriety of these decisions and that there exists the possibility that they will be reversed.

Dr. Walton. That is right.

Mr. Bell. But, on the other hand, suppose these decisions are upheld, then where are we?

Bishop McManus. Then the question would be if tuition reimbursement is ruled unconstitutional by the U.S. Supreme Court, what sort of vehicle might be used to provide some measure of assistance to nonpublic schoolchildren in a general Federal aid to education bill.

The only possibility that would seem to be open then would be the concept of child benefit services, which the Supreme Court of the United States in the *Lemon* decision acknowledges as being constitutional.

Mr. Bell. Title I?

Bishop McManus. That is how title I operates. I would say in the broader sense, Mr. Bell, that the need for tax credit legislation would become all the more imperative if the door is locked on any kind of participation by nonpublic school pupils in a general Federal aid program.

We are dealing here not just with separate laws but with a whole legal situation.

Mr. Bell. You don't see any legal problem as far as tax credit?

Bishop McManus. I see the problem that it will undoubtedly be challenged, as virtually everything in the church-state field is challenged. I think there is a close and workable parallel between tax exemption of church-owned real estate, which has been upheld as constitutional by the Supreme Court, and tax credit. Many of the things that the court said in a well-reasoned decision in the *Walz* case on the exemption of church-owned property can be applied with equal validity to the concept of tax credit.

One significant difference, I think, between tuition reimbursement and tax credit is that the tuition reimbursement requires an appropriation of public funds; you have to put the money aside to pay the parents who send their children to nonpublic schools, but a tax credit, on the other hand, requires no appropriations. It merely exempts a taxpayer from part of his Federal income tax liability. On the score that he is sending his child to a nonpublic school.

Mr. Bell. How about low-interest loans for construction? Is there any problem there?

Bishop McManus. There will be, I suppose, a continuing problem if the court continues to see higher education is one way and the elementary and secondary schools in another way. There is a long history of loans and even grants for sectarian institution of higher learning.

Mr. Bell. Is that based primarily on the obligatory situation, as far as sectarian versus the nonobligatory?

Bishop McManus. I think that is a factor. There are some, reading the decisions now, who seem to think the difference in the court's mind might be that in higher education there is a great variety of religious denominations operating institutions of higher learning whereas the major operator of the elementary and secondary schools is one particular religious denomination.

Dr. Walton. Of course, the courts made a great distinction between indoctrinating and education. A 17-year-old sent to a high school is being indoctrinated in a church-related institution whereas a 17-year-old in a church-related college is being educated. Of course, the courts may play that up very much.

There is one other thing that is beginning to disturb me very much. As I said, I have not read the Ohio case and the newspapers seem to suggest that this word "entanglement" is being extended far beyond the administrative entanglement in making sure the nonpublic school obeys Federal regulations.

Mr. Bell. Does the entanglement feature involve negative, as well as positive?

Dr. Walton. Right.

Mr. Bell. When you speak negative, you have that tendency?

Dr. Walton. Exactly. Now, you are getting to the point where one can draw an inference that one is involved in entanglement if he involved himself in the political process.

Bishop McManus. I think the point is well taken. We might be acting unconstitutionally now in carrying on this discussion if the rubric of no entanglement is to be carried to extremes and it comes close to that in the Ohio decision where the court says that even though there is no tieup at all between church and state in administering parental reimbursement, there is the potential danger that continuation of the tuition reimbursement plan in Ohio would get people agitated along political lines.

Dr. Walton. That is also in the dicta of Justice Burger's court decision.

Mr. Pucinski. If you will yield, may I ask why wouldn't the same question be raised in all religious deductions?

Dr. Walton. Right.

Mr. Pucinski. In other words, today a person makes out his income tax and he deducts whatever contributions he makes to whatever church and whatever denomination and, if you were to apply fully that logic, wouldn't you then have seriously threatened all contributions? I don't believe that the court has, and it has been challenged many times and the courts have consistently struck down the challenges against deducting your religious and charitable contributions.

Dr. Walton. Yes. I think you are right.

Mr. Zylstra. I do, too. I think there is another concept insofar as the tuition reimbursement or tuition grant versus the tax credit plan is concerned. In addition to the fact that no money is appropriated under the tax credit plan, it involves the taxpayer and the Government only.

In other words, it is not my neighbor who is going to have his taxes going toward the education of my children, but it is the parent who pays the tuition. He is able to subtract a certain amount from his tax liability. So the matter rests only with the taxpayer and the Government. The tax dollars of no one else are involved in the process.

Mr. Bell. Dr. Walton, I assume you and your associates are familiar with the report?

Dr. Walton. Yes; we participated in its making.

Mr. Bell. I thought you did. On page 11 it states:

> In reviewing the plight of the nonpublic schools, we find that most serious problems exist among the schools sponsored by the Roman Catholic institutions and despite pressing problems of the Roman Catholic schools, we find their survival does not depend totally or even mainly on the amount of money available to them.

That tends to counter what you said, at least partially. This leads me to believe that money is not the only issue here, but the decline in the schools have become quite a bit better and therefore some of the effectiveness of parochial and private schools to adequately educate is also a consideration.

Would you concur with that?

Dr. Walton. No, I don't, Congressman.

Mr. Pucinski. Your dissenting view is on page 91?

Dr. Walton. Yes; I think the panel gave far more attention than any single group of the Commission and the research that was turned out would suggest that kind of conclusion.

An awful lot of research was done by the most competent scholars, but in the time frame allowed, very little of it was original so there was a combination of essays and sociological studies and so forth. There was a Gallup poll used and I think we quoted it, which shows there is a great interest on the part of those who have their youngsters in nonpublic schools, but that, secondly, there is an enormous ignorance on the part of those who don't; therefore, the conclusions one would draw on what other motivations are primary or not are conclusions that have to be most tentative.

I come away with the feeling that money is a necessary but not totally sufficient response and that there are other things. If the parents perceive that the school is no longer serving the best interests of a child, they will leave it. We are in a changing value system and that is a possibility. But one cannot conclude that money can be discounted as a serious factor.

Mr. Bell. There are all kinds of indications from the private schools. Don't get me wrong. I am not against your program.

I noticed in my district that some of the private schools are gradually phasing out or going out of business altogether.

I find that some of the best schools do not pay their teachers salaries comparable to those which are received in the public schools. Similarly, they do not have the equipment that is available in the public schools.

These are factors that must have some effect.

Dr. Walton. Yes; too, that is why intervention of some sort should occur which would allow equality of the kinds of service, equality of the kinds of teaching personnel, which are most important.

The situation is somewhat counterbalanced by the fact that nonpublic schools totally have to rely on private resources.

Bishop McManus. You have noticed, I am sure, that I dissented from what the Commission declared to be a finding. The Commission merely heard a number of assertions made by people who did research at Notre Dame.

Subsequent to the appearance of the Notre Dame researchers before the Commission, I met with them at great length to inquire about the foundations for their prediction that Catholic school enrollment is going to decline steadily for the next 10 years to the point where enrollment in 1980 would only be half of what it was in the peak year of 1965.

Notre Dame researchers candidly told me they had identified a number of factors to back up their prediction about the enrollment decline but had not weighted them in terms of their relative importance.

They had a list of some 10 factors that included the movement of people from city to suburban areas, from areas where there were Catholic schools to where there are none (and that movement we are trying to retard, as I indicated previously, by developing an affection for the city schools); declining birth rate; the competitiveness of neighboring public schools; and the high cost of pupil transportation in suburban areas.

Over the last 5 years we have seen radical changes in the way public schools are organized with smaller schools being built closer to homes to avoid the cost of transportation and all of the inconvenience connected with it.

Some parents have become increasingly reluctant, parents in the suburban areas, to pay high fees for bus transportation and to have the youngsters ride 35, 40 or 50 minutes each way to and from a Catholic school.

There is some cooling off of enthusiasm among young parents on the value of the Catholic school.

These are all factors. Of course, there is the financial factor, high tuition rates and doubts about the financial stability of a school, whether it can survive.

In some respects, Catholic schools are victims of their own rhetoric. In efforts to dramatize the need for an increase in voluntary contributions and tax help from government, we have portrayed the schools as being on the brink of very great financial disaster. Some are and some aren't, but the image created has been excessively negative.

As I said in my dissent, the so-called Catholic school crisis definitely has ramifications beyond the monetary. There is no doubt about that. The full analysis of the crisis has not been completed and will not be completed until the researchers try to identify the relative importance of the various factors that are causing losses of enrollment.

Mr. Bell. Let me ask all of you one more very important question. Do you think that it is likely, if the nonpublic school system were to be strengthened, it would have a tendency to inhibit integration?

Mr. Zylstra. I will begin. No, sir; I do not think so at all. In fact, it perhaps would encourage integration because I see it this way at the present time.

Many inner-city families, for example, would probably be desirous of using the nonpublic schools that do exist presently, but because of economic reasons they are not able to do so.

For example, in our own particular schools, Christian schools in Michigan and elsewhere, we do get a lot of inquiries from inner-city parents as to whether their children might be enrolled in our schools. We welcome them.

We do have tuition paying schools and relatively high tuition paying schools, up to $600 per child or more. We have no source of money as far as the schools are concerned to help finance these poor students from the inner-city. We would welcome them if they had the finances to enter these particular schools.

I do feel that if there were funds made available for many of these people, they would use our schools and other nonpublic schools. I look at it as being a positive factor in the integration process.

Mr. BELL. Do you think the tuition costs would go up or stay about the same level if Federal aid were received?

Dr. WALTON. They are going to go up anyway. They are escalating anyway.

Mr. ZYLSTRA. We will escalate at the normal rate, but I don't think they will go beyond the normal rate of escalation.

Bishop MCMANUS. I would like to comment on this, if I may. I think you are right and I am pleased you asked the question. I think the moral components of racial integration are far more important to this Nation than aid to nonpublic schools or aid to public schools.

We are either going to get committed to a program of integration or we are just going to slough it off with a lot of excuses.

A parallel question to yours, Mr. Bell, might have been this, "Would improving suburban public schools contribute to greater segregation in the city schools?" If I were to answer that question, I think I would have to say: "Yes, I think it would."

People who are leaving the city of Chicago to go to the suburbs are greatly attracted by what they perceive as better schools in the suburbs. They also feel, I am sad to say, that by going out to the suburbs they will not have their children involved in integrated education.

The stronger the suburban public schools become the more segregated the inner-city becomes due to the fact the whites pull out and leave the schools there to the blacks. Will aid to the nonpublic schools perhaps have the same effect?

It could if people in the city believe that private education is best for their children. Private schools, largely all white, will have special appeal to many white parents.

As I pointed out previously, if there is to be any hope of what you might call integrated association of whites and blacks living in the same city, the price we may have to pay for that is the preservation of the city's nonpublic schools, which are largely white.

I should note that in our panel report we very carefully said that we wanted to be on record against having any nonpublic school be a haven for those who are fleeing from public schools which are in the process of integration.

I am proud to report to this committee that in a now celebrated case in Alabama the nonpublic Catholic school went to court to sustain its position that it did not have to accept Catholic children who had left a neighboring public school which was in the process of being integrated.

Catholic school administrators are very sensitive on this point and want no part of impeding any process of integration in public education by letting their schools become a haven for refugees from public schools. Moreover, nonpublic schools, by and large, are committed to programs of integration in those areas where black and white children live in the same area.

In Chicago, we have a busing program between the city and the suburbs, which is the way it should be. It has had moderate success.

In the Archdiocese of Chicago we have completely open enrollment in 85 high schools. On the Saturday after New Year's every one of the high schools is open to anyone that resides in the two-county area of the Archdiocese of Chicago.

This has promoted some integration, and some resegregation I am sorry to say. It is the price you have to pay when you give absolute freedom to people. I would rather opt for that kind of freedom in open enrollment on the high school level in preference to an engineered plan that has a lot of compulsion in it which I think most parents find obnoxious.

You raised a very good question. I think the chuch-related schools would be guilty of grave injustice to this Nation and to themselves if they were not to take their proper role in promoting racial integration.

Mr. BELL. Mr. Walton?

Dr. WALTON. I was going to add quickly, Mr. Bell, the panel had the benefit of a study made in Chicago which we quoted to the effect that in Chicago, for example, and this is a quotation, "public schools were benefiting the wealthy and white communities more than poor communities while the Catholic schools were benefiting black communities more than white communities."

I wouldn't say that could be universalized, but I think it is important to take it and then add to it the things the panel said on page 31 and on page 48 or 49. What we said was no aid without full and total compliance with title VI of the Civil Rights Act.

We go on, but it is our personal belief mere compliance is not enough. The nonpublic schools, many by virtue of their commitments, have to take the lead in integration.

Mr. BELL. There is a school that would improve the integration?

Dr. WALTON. Yes.

Mr. BELL. I have no more questions.

Mr. PUCINSKI. Mrs. Hicks.

Mrs. HICKS. Thank you, Mr. Chairman. I have no questions, except I would certainly want the record to show I support your bill, having filed legislation very similar to it which would give a tax credit for nonpublic school education.

In the city of Boston we face the same dilemma as other great cities in the fact we do have closing off of many schools. One year it is the elementaries and the next year it will be a high school here and there.

I certainly agree with you. This is relative to the fact that if we do have any more closings of these nonpublic schools, we are going to affect not only the financial state of our cities and our States but also we are going to have this flight of our people from the city. We wouldn't be able to stabilize our economy and our population within the city limits.

Therefore, I feel that we are going to have to bring some type of relief to those parents that are sending their children to the schools in order that they will maintain them in the schools for the benefit of all of the children and for the people.

I certainly thank you for coming here this morning.

Thank you, Mr. Chairman.

Mr. PUCINSKI. Mr. Peyser?

Mr. PEYSER. Thank you, Mr. Chairman.

Could you estimate, in dealing with the independent schools the nonpublic schools, what percentage of the student population are parochial students?

What is the actual parochial school involvement here? I am sure it is in the report.

Dr. WALTON. Page 7 of the report, Mr. Congressmen, shows that about 8 percent would be enrolled in what would be called the independent private sector.

Mr. PEYSER. So, 92 percent of nonpublic is parochial?

Dr. WALTON. Ninety-two percent would be not fully parochial. There is another 7 percent which is nonchurch related. So, you have 15 percent there.

Mr. PEYSER. Eighty-five percent that would be?

Dr. WALTON. That is right. You have another listing of Christian National Union, Quakers, Jewish, Lutheran, and so forth, and 83 percent would be the Roman Catholic, is that right?

Mr. ZYLSTRA. Yes. I might add this, however. There are certain of these schools that are related to particular churches that are not parochial in nature.

In other words, they are not associated with the institutional church as such.

Mr. PEYSER. Certain schools you would not call an institutional school such as the Quaker school?

Mr. ZYLSTRA. I am not acquainted with them, but the National Union Christian schools are not associated in any way with the church as such, institutionally.

Mr. PEYSER. But the dominant and overwhelming factor is the Catholic school enrollment?

Mr. ZYLSTRA. Yes.

Mr. PEYSER. In my own district in New York it is an important segment of the number of people involved in the educational system and it obviously is of great concern.

Do you have a figure showing what the average tuition in a parochial school is. In other words, the average payment?

Mr. ZYLSTRA. It came out at the elementary level to around $75, but it is a bit misleading.

Mr. PEYSER. Is that $75 per year, per semester, or what?

Mr. ZYLSTRA. A year.

Bishop MCMANUS. Let me clear that up. I have the figures at my fingertips because I made a study of my own. The correct question, if I may put it that way, to get the facts clear is to ask the median tuition. The median tuition on the elementary level in the Roman Catholic schools is $125 a year. That is for this year. The median for the high schools is in the vicinity of $350.

I stress the importance of the median because there are a number of elementary schools, in rural areas notably, which have never charged any tuition. They have felt that the support of the parish school was the responsibility of the total parish. The average, therefore, would be considerably less than the median because the median takes into account only those schools which are charging tuition. The average would be computed by taking the total amount of tuition collected in the year and dividing it by the total number of children. That would bring it down to about $70 on the average. The median, I think, is a more realistic figure.

Mr. Peyser. I think in my own area the tuition figures run slightly higher.

Bishop McManus. New York would.

Mr. Peyser. These figures tend to represent a very large percentage of the group. In other words, I think our figures are substantially higher than the figures you are conveying to us here.

I ask this question because we come back to the question of welfare. You are suggesting $100 be allocated to the people presently on welfare that could be used toward nonpublic education, which in most cases is going to be still in the parochial school area because it represents approximately 85 percent of the independent nonpublic school category. I don't frankly see what $100 means in any sense.

It certainly is not enough tuition to have any real meaning as far as the program is concerned.

Dr. Walton. You don't find the typical school like that in the inner city.

Mr. Peyser. I am just saying in numbers, which is what we are dealing with, most of the people are in the inner city and in the urban area.

Dr. Walton. Yes.

Mr. Peyser. I am wondering when we suggest $100 in dealing, say with the New York parochial school system, whether $100 is a meaningful figure that is going to allow the person on welfare to send a child to school unless the church is going to subsidize 70 percent of it.

Maybe the church today already has programs where the person on welfare is subsidized to go to parochial schools. Is that the case?

Dr. Walton. I think you put your finger right on it. The panel's reason for a low figure in the welfare budget was twofold.

First is the awareness that the welfare burden is immense as it is and that an innovation of this kind should be done quite modestly.

The second is that the churches do have and are fulfilling a responsibility toward the interested schools. Last year in the Archdiocese of Chicago about $2.25 million was expended to subsidize the operation of some 50 schools in the inner city.

We are looking for a cooperative venture which involves a person on welfare who would continue to make a sacrifice—as they are presently doing—to keep their children in the nonpublic school, involving the church which would continue to make such schools an outlet for its special effort, and, finally where the Government would also give a break to the inner-city poor.

Mr. PEYSER. I suggest the chances of the Congress taking that approach are remote. I think the argument would be very much in favor of seeing that people on welfare receive more assistance, and not more assistance, necessarily, to send a child to a nonpublic school.

Personally, I am doubtful that Congress would consider creating a situation such as you suggest.

I do feel that there is an obvious need for assistance in this area. The need may well be satisfied through tax credits to lower-middle-income and middle-income groups to assist them in meeting the financial burden of sending their children to nonpublic schools.

For the record, I happen to be very much opposed to the voucher system you speak of. I have done a great deal of research in this area, and I think that the voucher system carried out to its fullest would sound the death knell of the public school system, which is not what I believe any of us intends to do.

I do feel the desperate need for help in the parochial school situation—and I lay particular emphasis on that area—and I think that the area of tax credit could very well be the ultimate answer.

You gave a figure of $500 million. I am assuming that is based on the 50-50 proposal?

Dr. WALTON. Yes.

Mr. PEYSER. If the proposal were not 50-50 but 70-30, with the individual share being 70 percent and the Federal share being 30 percent, the figures would be reduced accordingly?

Dr. WALTON. Exactly.

Mr. PEYSER. I think this has been a very enlightening discussion on this whole question. I realize I am stating my personal feelings without fully reviewing your side of the story.

I only do it in the interest of time. I know we have other Congressmen here interested in questioning you, but I want you to know my own feelings on what I think is a practical answer to the question of welfare and vouchers.

Mr. Chairman, I thank you very much.

Mr. PUCINSKI. Thank you, very much, Mr. Peyser.

Mr. Meeds?

Mr. MEEDS. Thank you, Mr. Chairman.

Gentlemen, first allow me to apologize for getting here late and not hearing the initial testimony, for not having been able to read the entire report but most of all, the initial recommendations.

Let me also point out I have a daughter who attends parochial school. She is getting an education which is costing me a lot of money. She has been in parochial schools all of her life and I am still, and have been, a very strong advocate of the position of the parochial schools and private schools in that sense of being an integral part of the education system of this country.

I hope and will continue to work to see that they remain a part. Having said that, let me also say that from the recommendations on page 2, I think those recommendations go so far beyond anything that the Congress or the courts have heretofore been able and willing to accept with regard to aid to private and parochial education as to almost jeopardize any kind of legislation which members like myself have in the past supported.

For instance, the recommendation in 1(d) almost immediately raised extremely serious constitutional questions. I think the recommendations in 2 and 4 provide impetus to segregated education academies.

I don't question your motivation in this in any way, but I think that the natural approximate consequence of the carrying out of that kind of recommendation is to give comfort and aid to the people who would like the opportunity and the reimbursement for sending their children to segregated schools.

I think the recommendation in No. 2 on income tax credit does not really do what the bishop talked about earlier about improving the quality of ghetto schools, because I don't think the income tax credit is in any way going to go down to the favor of those people who most need to have their children in these schools in the ghettos.

They don't have enough income to receive a credit on. I am just struck that these recommendations are so far beyond anything that has heretofore been suggested, that I hope it is not the opening gamut in what could become a very serious church-State problem in providing aid through constitutional sources to parochial education.

That is said. That is a mouthful but I recognize, and I in no way mean to be contentious but to just lay it right out on the table the way it strikes me immediately, and I would like to have your observations on it.

Dr. Walton. Mr. Congressman, I would mean to be contentons on this one.

Mr. Meeds. Very good.

Dr. Walton. I don't believe you were here when Mr. Bell directed some of the questions on the possibility of integration being harmed by these movements. If you were, I apologize for repeating them.

The panel is very explicit in its report that there has to be full compliance with the Civil Rights Act. In one of the recommendations of the nonpublic sector, we say you have to go much beyond that without question.

In No. 3 there are some small evidences of a study in Chicago that this, in fact, is not the case. I think what we are probably involved in here is an assessment of probability, where I don't accept your assessment of the likely results. I can argue pretty effectively on that.

Insofar as going beyond anything we have heretofore contemplated, let me just go back in these steps. No. 1, tax-credit legislation is much before the House so that what we are doing here is not going much beyond, in my judgment, what could already be found in some of the bills that are pending.

No. 2, the panel has been most careful—and again we made that position very clear at our initial presentation—that we are deeply concerned about the inner city poor. Whether or not we have the right formula to get at that problem is, I think, a debatable one.

Clearly, in our judgment, the amount of money that might be required to meet the needs of the inner-city poor in terms of their desire for education is not so astronomical that the country cannot afford to do it.

If one meets the needs of the poor effectively, the next question is of those working taxpaying groups of Americans who are at that point with three or four children in a given school, where it just becomes the "camel's back" situation.

Mr. MEEDS. But those are not the poor.

Dr. WALTON. Nor are they rich. The rich are not typically enrolled in many of the areas where you find the concentration of enrollment in nonpublic schools such as Boston, Philadelphia, and Chicago.

Mr. MEEDS. May I go back to the first statement you made, or response you gave, and reiterate that I in no way question your motivation in this at all.

I am sure that you three gentlemen, and I was very impressed by the bishop's statement and I was here when Mr. Bell asked that question and heard his response, I was—I shouldn't say elated, because I expected that type of response from him—gratified to hear it said flat out.

It is not the motivation, but the actuality of the situation. What is to prevent—and I hate to pick on any segment of the country—a fundamentalist bible-belt school from establishing a private school where it never had one before?

It just so happens that most of the people who happen to agree with the tenets of that religion then go to that school, all of them white.

Mr. PUCINSKI. Will the gentleman yield?

Mr. MEEDS. Please let him answer it first, Mr. Chairman, and then I will be happy to.

How do you pass a law to prevent that type of thing when you are dealing in this area?

Mr. PUCINSKI. If you will yield, I think I can give you the answer. It is in the bill I introduced, H.R. 12499, and we address ourselves to that very problem.

We say:

> The term "private nonprofit elementary or secondary school" means an educational institution which is owned and operated by one or more private nonprofit corporations or associations contributions to which are deductible under section 170 (b) (1) (A) (ii), and no part of the net earnings of such school inures, or may lawfully inure, to the benefit of any private shareholder or individual.

Paragraph 170(b) (1) (A) (ii) of the Internal Revenue Code specifically deals with the question you have raised. It has come up over and over again, particularly in the South in the so-called White Citizen Council schools, schools that had been established in the South for the express purpose of avoiding integration.

When they came to the Revenue Service and asked for a tax deduction on contributions as we have now as to any educational institution, the IRS under section 170(b) says you cannot do it.

Mr. MEEDS. I am sure, Mr. Chairman, they won't come before the Commission saying, "We are establishing these to provide segregation."

Mr. PUCINSKI. No, but if the school does not permit integration or denies integration or practices any form of segregation, directly or indirectly, whether it is within the context of what you said here that is a religious order and it just so happened that all of the members of this religious order are white, they establish a school.

If a black child or any minority child or any number of minority children wanted to enroll in that school and were denied the right of enrollment in that school, they would not qualify under 170(b).

We have the law now to deal with that subject. It is on the books. It is a matter of fact.

Bishop McManus. We are dealing, Mr. Meeds, with a question of probability. Take the hypothesis that the Congress passes tax credit legislation and ask, "Will that lead to the creation of de facto if not de jure white segregated schools?"

My prediction is negative for this reason. Tax credit legislation does not subsidize a school. It gives a small inducement to the parents who pay tuition to a nonpublic school.

People who want to start a segregated school under religious auspices are still going to have to invest a lot of money. I think the factor that will govern the extent to which segregated private schools are increased will be the amount of private money people want to put into them, rather than the amount of assistance they might receive through a tax credit plan. Moreover, I doubt if the Congress has passed many laws that did not lead to some abuses, like benefits to people who are really not in need, and so on.

I think the governing factor has to be the question whether the public welfare would be served by tax credit legislation, which certainly would be of benefit to about 85 percent of the parents with children now in nonpublic schools.

Mr. Meeds. It would benefit me greatly, but I don't think it would benefit a lot of the people that are in the core cities that you are directing yourselves to here.

Bishop McManus. Let me address myself to that. One of several reasons why the panel recommended welfare allowances for tuition payments to nonpublic schools is that they would be for the poor the equivalent of tax credits for others. In other words, those who do not have any tax liability—they would be mainly people on welfare or what H.R. 1 calls the working poor, people with a family income of less than $5,000—would receive special welfare benefits.

Mr. Meeds. Or a voucher program?

Bishop McManus. Or a voucher program, yes.

Mr. Ford. Will you yield?

Bishop McManus. For 85 percent of parents with children in nonpublic schools we have recommended tax credits. I want to make the point that our figures are drawn from a study by the staff of the Joint Committee on Internal Revenue, which did very careful research on the family income of parents who have children in nonpublic schools.

Mr. Meeds. I yield to the gentleman from Michigan.

Mr. Ford. Bishop McManus, the voucher plan gives me more problems than just the civil rights question. I notice that in defending the effectiveness, you are careful to indicate that you were talking about the fact that tax credits were not likely to motivate an exodus from the public schools predicated on a desire to seek the segregated setting for education.

I don't think, however, that you are willing to say that about vouchers, are you?

Bishop McManus. The voucher plan is one of the most ambiguous phrases that we have in our vocabulary.

Mr. Ford. For someone who is already making an expenditure, and someone who gets only a portion of the expenditure predicated on their initial investment and only in the years which they can deduct under their income, unless you are going to have some sort of provision that says whether you use standard deductions or not or are otherwise eligible for deductions, you can take it.

You have to make it different from other kinds of contributions to religious and charitable institutions. For example, because not everyone makes those contributions in a size that means anything to them on the income tax.

Isn't it kind of an open invitation, looking at the kind of hysteria we are facing in the Detroit metropolitan area now? If you were to drop a voucher system into that area where you have fully 40 percent of the whole population of the State, there would be no public schools open in 30 days.

If you dropped it into that overcharged atmosphere, and if you even give these people a suggestion of the possibility that it is an alternative to what the Federal court may do in desegregating the schools, not only will there be no schools but there will be none of us left to lament the passage of the schools.

Mr. MEEDS. The tuition reimbursement on the per-capita allocation formula will have the same effect.

Mr. FORD. I think you are jeopardizing the possibility of making any real progress in assisting the nonpublic schools we honestly believe are absolutely essential. If we are going to maintain the public schools, we have to maintain—and Bishop McManus and I have been over it many times and you know my commitment to the idea—a partnership.

I just hope that we recognize that we have some situations now that could very well jeopardize our opportunity to make any progress if we get involved in too much controversy.

I guess that always sounds bad to people who spend their life fighting causes that are involved in controversy.

Bishop McMANUS. I would like to note that the panel's recommendation for the voucher system is carefully qualified. We say we would like to see experimentation with the voucher system for it is only through experimentation that we will find out whether your predictions are true or are perhaps a needless worry.

Mr. FORD. I would rather characterize it as an apprehension rather than a prediction. I hope that apprehension is unfounded.

Bishop McMANUS. You see, our recommendaiton on the voucher system is based largely on a concept of justice. The man out in the suburbs in a $25,000 to $30,000-a-year income bracket has the best of two worlds. He has an excellent public school for his child or, if he prefers, because he has the money, he can send his child to an excellent private school. The poor in the inner-city have no such choice.

I think those advocating the voucher system are not intent upon destroying the public schools but are intent on bringing them into a truly competitive position with the nonpublic schools.

I happen to have enough faith in the public schools of the city, troubled as they are, to feel that they would draw the lion's share of the voucher holders. The vouchers would include more money than the inner-city public schools would obtain normally from local and State sources so they could improve their quality.

I think the majority of the parents who are now sending their children to these schools would continue them there provided they had something to say about them by virtue of the vouchers they have in hand and provided that they were sure their quality would be improved.

We would have a competitive situation. That is generally healthy for any kind of enterprise.

Mr. Meeds. May I continue? Well, I will yield briefly.

Mr. Quie. There is one thing, first, that I would like to find out: and if there is benefit now in the tax laws for parochial schools. It is my understanding that the parent cannot make a contribution to the parochial school in lieu of paying tuition and therefore get a tax deduction.

Mr. Ford. That is not true.

Mr. Quie. That is not true? I would like to find out how it works.

Mr. Ford. I don't think I would explore it too far.

Mr. Quie. Anyone can make a contribution to a church, then the church can help pay for the school. I wondered in what sense you can get a deduction on it because I now believe in tax credit for tuition. Does anyone want to talk about it?

Mr. Zylstra. I would like to answer it. It depends on what the Internal Revenue Service will acknowledge as a contribution.

I can take an example from our own school system. The local IRS office has determined that no amount may be considered as a contribution unless it exceeds the cost per student.

Therefore, we have a situation at the present time where, unless a parent pays over and above the cost of education, none of the money is considered as a deduction.

Mr. Pucinski. If I may throw some light on it, too, because I have been at it now for a number of years.

We have been trying to persuade the IRS for a long time to permit a tuition payment to the parochial school to be treated as an extension of a charitable contribution. The IRS takes the position that is not a contribution but rather a payment for a service rendered.

It was in that context they treat it as a nondeductible item. It would take an act of the Congress to define that tuition as an educational service.

Mr. Ford. The problem is if you legislate it as our intent and you automatically knock out the ability for them to get the money, they come flying right in the face of this amendment because we now have the decision that states that the primary purpose has to be educational and not religious.

You are arguing the other side—it ought to be tax deductible because the primary purpose is religious and not educational.

Mr. Pucinski. Bishop McManus made this point.

Mr. Ford. You get a tax deduction but knock them out of other public assistance.

Mr. Pucinski. I think the Bishop made the point earlier in changing the tone of education in parochial schools where the emphasis had been more on all of the educational factors rather than the religious factor per se. Is that correct?

Bishop McManus. Not totally. It would be possible, as I understand it, for Congress to enact a bill that would have tuition paid to a nonpublic school classified as a line item deduction, not as a contribution to religion, but as a line item on its own merits. As such, it would cover tuition to a nonpublic school. One reason that there is not much enthusiasm for that approach is that the prime beneficiaries of the deduction would be the wealthy.

The poor and middle-income people would get virtually nothing out of the deduction. People who use a standard deduction, and I understand about 40 percent of the taxpayers do, would get no benefit at all from having their tuition classified as a line item deduction.

Mr. Chairman, could I speak for a half a minute off the record?

Mr. Pucinski. Yes.

(Discussion off the record)

Mr. Pucinski. All right, we will excuse Bishop McManus now, and keep the other two gentlemen here to pursue our questioning, unless you have pressing questions of the Bishop?

Mr. Meeds. None whatsoever.

Mr. Pucinski. All right, thank you, Bishop McManus.

Mr. Meeds. To either one or both of the other gentlemen, I would like to go through these recommendations, and I would like to have you tell me which ones under present or past decisions of the U.S. Supreme Court, and these are existing decisions, would be allowable, if you can.

I don't know, so that is why I am seeking this information. Reimbursement allowances to welfare families for expenses connected with sending their children to nonpublic schools, as well as supplemental income payments to the working poor for this same purpose.

Would that be constitutional under present decisions?

Dr. Walton. It is very arguable. I cannot give you a straight answer on that one.

Mr. Pucinski. You don't know?

Dr. Walton. We don't know for sure.

Mr. Pucinski. You are agreeable it raises a serious constitutional question?

Dr. Walton. Yes, sir; it raises a serious constitutional issue.

Mr. Pucinski. "Strict enforcement of the Elementary and Secondary School Education Act so all children receive the full benefits to which they are entitled"?

Dr. Walton. Constitutional.

Mr. Pucinski. No question about that, right?

Mr. Ford. Just a moment. Your report is dated April 14. Did you give any consideration, before finalizing the report to the most recent recommendation of the President for redirecting title I funds under the Elementary and Secondary Education Act?

Dr. Walton. We did not get involved in the study of that question.

Mr. Ford. Some of us on the committee feel that if we understand it correctly, it would have a very significant effect on the participation of nonpublic school students in the title I programs. Unofficially, I have been informed that, without going into very much detail, the Detroit public school system believed that would be the consequence, also.

So, I think it would be helpful to us, since this committee is going to be considering this maybe next year.

Mr. Zylstra. I think we should also address ourselves to this. There should be equitable sharing in any Federal assistance program, and I might add it was the recommendation of the full Commission in its report. The panel would certainly concur with that. Any new federally funded programs such as ESEA and others should have equitable participation for nonpublic schoolchildren.

Mr. Ford. Except that the problem is raised in the President's proposal because he proposes to limit the uses to which title I funds can be put in a way that probably indicates that it will have to be used specifically in a classroom, and that is where you get into trouble on title I. Presently, the programs in nonpublic schoolchildren participation are not conducted in a public school program in a very large percentage of the cases.

Mr. Zylstra. I think that varies considerably throughout the States.

Mr. Meeds. I missed "B," experimentation with voucher plans, and so forth.

Dr. Walton. We think that has a favorable chance of being constitutionally viable. I think that what might be called the educational establishment is very much concerned about its effect on public schools.

Mr. Meeds. Right, and others, since, as a threat to the public school system, and Mr. Ford and Mr. Peyser pointed that out.

Mr. Zylstra. There is a plan presently which the OEO wishes to put into operation on an experimental basis within public school districts.

Mr. Meeds. They are doing so in Seattle.

Mr. Zylstra. Seattle rejected it, but I believe San Jose accepted it.

Mr. Meeds. It has not been tested constitutionally?

Dr. Walton. It has not.

Mr. Meeds: And it is not operating presently in private schools?

Dr. Walton. No.

Mr. Zylstra. I would like to say something pertaining to the voucher system as we discussed it earlier, especially as to what effect it might have on the public schools. In thinking in terms of voucher plans, we have to consider the vast number of different types of voucher plans which could exist.

I think we may talk in terms of a voucher plan where it would be partial payment, for example, toward the education of the parent's children, or it could possibly be full payments. So, I think here we also have another area of probabilities. If it were a full payment, the probability might be this, and if it were a partial payment, the probability would be something else.

Mr. Meeds. May I go through these items first, Mr. Ford, so we get these on the record?

Mr. Ford. Well, I want to ask him about that one.

Mr. Meeds. I yield.

Mr. Ford. When you say, "full or partial," would you say that the voucher was delivered in fact to the parent with complete freedom to select a school?

What if a parent just shopped around, and didn't get around to the money, or the money is not payable to anybody until the child is enrolled in school, and what does it do to the compulsory attendance rules while they are doing the shopping? Must they have made a decision by September 1 or something in time?

Mr. Zylstra. They must have made a decision, I would think. In terms of the voucher being handed out to them after their decision had been made as to what school their children will be attending, it would have to be in a school which would meet the standards of compulsory education attendance law within the States.

Mr. Walton. I see that as no insurmountable problem. You could set a cutoff date for actual enrollment.

Mr. Ford. Going now to "D" under 1. "Adoption of a commission on school finance recommendation for an urban educational assistance program to provide interim emergency funds on a matching basis to large central city public and nonpublic schools."

Is there any decision of the U.S. Supreme Court presently existing? Do you think it is constitutional?

Mr. Zylstra. I don't think we know.

Mr. Ford. Well, now, you are talking about direct aid to a parochial school?

Dr. Walton. Nonpublic school.

Mr. Ford. Well, there are, quickly, you know, *Emerson* and a number of other cases which say you can't do it. Can you tell me one that says you can?

Dr. Walton. But, let's take a different kind of look at this one. Many of these inner-city or urban schools may have a church affiliation, with enrollments in religious persons not significantly related to the sponsoring institution.

To be very explicit, there are some parochial schools in certain inner-cities which have large enrollments of blacks, who are non-Catholic. And, therefore, I cannot answer the question because the courts have been, I think, consistently now saying, "What is the effect?"

If the effect, therefore, is to provide vitality for the urban inner-city, the court could conceivably rule that it is constitutional.

Mr. Ford. I just reviewed every case that has been decided, and am writing an article for a law review, and the court has never given anybody any points for the percentage of nonreligious related people.

Dr. Walton. I know.

Mr. Ford. That is not a constitutional question. The question is the character of the schools, the charter of the purposes for which the money is being spent, and the court has even recently, as recently as last summer, got into picking four schools and saying, "These three have said more strenuously than the other one that they are not teaching religious subjects as a primary purpose, and therefore, we will OK these three but not the fourth because they didn't protest loud enough."

We have some very subjective kinds of tests being applied now. The courts seem to want to go in the direction of giving support, but you, in turn, in order to get it in a nonpublic school, have to assert your purity from a first amendment point of view.

Dr. Walton. Exactly, and in our recommendations, we have said, too, there may have to be different forms of incorporation. That the Government would, conceivably, in these inner cities, have to be separated out from, let us say, a strictly church-tie position. Our panel position is if that is the price one must pay to provide stability in the inner city, it is a price that should be paid.

Mr. Meeds. I refuse to yield further, and I want to get through these quickly, and then you gentlemen can have the whole field. Would you agree with me that the adoption of D raises grave constitutional questions?

Mr. Zylstra. To an extent, Mr. Meeds.

I think, however, that certain programs under A and urban assistance programs could be similar to those of ESEA, and therefore, very much constitutional.

Mr. Meeds. That is not direct aid to schools?

Mr. Zylstra. No; but we talk about programs here. ESEA is not direct aid to schools.

Mr. Meeds. "Large central school, public and nonpublic schools," it says.

Mr. Ford. You are talking about not giving the school a program. It is a program of giving the school funds in your recommendation.

Mr. Meeds. That is what it looks like; I have not gotten into it that fully.

OK. No. 2: Federal income tax credit to parents for a portion of nonpublic school tuition expenditures.

Are there any presently existing Supreme Court decisions? Do you feel that is constitutional?

Dr. Walton. Let me turn it around—I don't know of any constitutional decisions that have invalidated tax credits, Federal tax credits for this purpose.

Mr. Meeds. How about *Lemon*? That is a State tax credit as I recall.

Dr. Walton. The *Lemon* case was not tax credit at all, but secular services that were invalidated.

Mr. Zylstra. The tax credit has not been investigated in the courts, but it has been heard in the courts in Minnesota. They have a law which provides a tax credit. It has been heard by the courts but without a decision being handed down.

Mr. Meeds. So, you don't know of one?

Mr. Zylstra. We don't know.

Dr. Walton. We have more confidence in this than in some of the others.

Mr. Meeds. I think I would too.

OK, the next is: Federal Construction Loan Plan?

Dr. Walton. I think it would be constitutional.

Mr. Meeds. Certainly, higher education facilities have been held constitutional?

Dr. Walton. Yes.

Mr. Meeds. Tuition reimbursements on a per capita allocation formerly in any future Federal aid program for education?

Dr. Walton. That is going to have, in my judgment as a layman, a difficult constitutional role. However, if it becomes part of an overall Federal program, I think the challenge should be mounted rather than assume that it is invalidated before legislation is gone into.

Mr. Meeds. The *Emerson* case would certainly—if it were interpreted in the same way again—it would certainly prohibit this flat out, it seems to me.

Mr. Zylstra. It might, it depends on how it is administered, I think.

Mr. Meeds. At least you agree it has at least grave constitutional consideration?

Mr. Zylstra. Yes, Mr. Meeds, as Justice White pointed out in opinion in the *Lemon* case, the decisions have really put all of us in a dilemma on the entanglement issue.

Mr. MEEDS. Well, just to summarize, and again I am not in any way attempting to be contentious, of all of the recommendations you have made, the constitutionality of only one is certain?

Mr. ZYLSTRA. No; tax credit is only certain, you mean?

Mr. MEEDS. Certain, right.

Mr. ZYLSTRA. In church-State relationships?

Mr. FORD. Well, I think in all fairness, you ought to observe on the last one and on two of the letters the question depends on the form of the aid you try to give, and the way in which you give it.

You can't make a decision on the last one. An example of one that is constitutional is the GI bill. Now, someplace between the GI bill and what we now do for public and nonpublic schools, we may find a place where the Court will say, "OK, in view of our most recent pronouncement, the Government really has to be neutral, and its attempt not to advocate religion then would be negative in this approach. The school will decide whether the nature of the assistance it gets, does, in fact, has a secular purpose."

And with those new decisions, it does not take very much imagination to believe that nonpublic school people at the elementary and secondary level will think of constitutional uses for funds under that kind of stress, and that same kind of thing would happen up here with the others.

Mr. PUCINSKI. The only problem we have with that is, I think you are right, that the courts have created somewhat of a judicial dilemma in that in one decision they allow neutral, secular, nonideological services, and so you figure: all right, let's identify and define them and let's go.

But then, you have another decision that talks about extensive—same decision as a matter of fact—extensive involvement. Does the effort to identify neutral, secular, nonideological programs in a school and directing the funds and then policing the program to make sure that the money is not used for anything but neutral, secular nonideological services, so that running in the face of the second horn of the dilemma, which is involvement.

Mr. FORD. There is a second, to broaden it, and there we have put a condition on it. That is, even though you meet the first requirements, you have another requirement that the institution itself has a character and the character of that institution must be primarily as an educational institution, or they are going to characterize the neutral activity you are funding as indirect benefits to a religious institution, and therefore, constitutionally invalid.

Mr. PUCINSKI. We had an experiment in Park Ridge, Ill., but it fell through. There was an election, and they elected a new school board and abandoned it. They wanted to work out a plan where the public school system would literally lease the parochial school facilities for the early morning hours from 8:00 to noon.

There would be a public school principal, public school teacher, curriculum, and the public schools would be in complete possession and charge of that school building for the first 4 hours of the day. Then, after they have completed their so-called secular, nonideological teaching program, the children would remain in the same school, of course, but the public school task force would remove itself, and the regular religious task force would take over the school for the rest of the day.

That experiment never got off of the ground, and I was wondering, because, to me, it seems to offer a constitutional solution to the problem. I was wondering if your commission had looked at that approach at all?

Mr. ZYLSTRA. Yes, we had discussed it somewhat. There are real problems we had with it. I might say a modification of the plan is in operation in Traverse City, Mich.

Mr. FORD. How is it working out?

Mr. ZYLSTRA. Fairly well. They are having problems; I have not had a recent status report on it.

Mr. PUCINSKI. What is the modification?

Mr. ZYLSTRA. I think there the modification is the public school teachers are going into the nonpublic schools, on a lease basis, which is probably not a modification, I am not sure. Teachers are hired with the same contractual arrangement as public school teachers are, and also are under the supervision of the public schools but going into the nonpublic schools to teach certain nonideological subjects.

Mr. PUCINSKI. What were some of the problems involved in this sort of lease?

Mr. ZYLSTRA. I think administratively, scheduling, and so forth are some of the practical problems in the particular arrangement, and also to determine and define what the nonideological subject areas are.

Mr. PUCINSKI. I would have thought that the obstacles would have been, perhaps, more involvement, physical ownership, heating the building, maintenance of the building, those kinds of things that might create the problem again of excessive involvement.

I had looked at the Park Ridge proposal as one that offers a meaningful opportunity for resolving the problem.

Dr. WALTON. I was disappointed it was ever carried out, but I never did find out why it floundered.

Mr. PUCINSKI. It was my understanding there was an election and some new school board members elected, and there was some opposition to the plan in the community. It never got through.

It would seem to me though, that, as you have said earlier, if the public school system had to acquire, in order to absorb the parochial school system, had to acquire the parochial school physical properties, the cost would be actually staggering.

Then, of course, the maintenance would be staggering also. It seems to me that that kind of a share-time grant is something that ought to be tested and see whether or not it will stand up in the courts. I don't see why the public schools would have any particular objection because, for all practical purposes, they would have an additional building added to their operation.

It would be used completely under public school control, management, supervision, development of curriculum, and everything else.

Dr. WALTON. Congressman, my own personal feeling is that any experiment ought to be mounted because the public interest requires it. There are sometimes muted ideological biases on both sides of the fence that have to be, I think, taken into consideration.

Mr. ZYLSTRA. The point we lose sight of is, often times, that the priority of educating children belongs to the parents. This right, belonging to the parents, should give them a choice in determining how and where their children should be educated under, of course, certain regulations and guidelines that are going to be provided by the State.

I think we often lose sight of that important principle. It is a parent's right. It should not be a matter of talking in terms of nonpublic schools versus public schools, but it should be talked of in terms of education for the child.

It should be the parent's decision as to what type of education needs he desires for his children. I think, too, that the emphasis is often on the first clause of the amendment, establishment of religion, whereas, we lose sight oftentimes of the free exercise thereof.

I believe that we have to come back to that very important clause in the first amendment also in making some very important decisions pertaining to educational choice.

Mr. PUCINSKI. Miss Banzer.

Miss BANZER. Just one question. At the beginning of your presentation you mentioned the cost of absorbing the nonpublic students into the public schools. Those figures contradict with the cost factors I have. Based on the Notre Dame study, the high-excess capacity would be $1.3 billion and the low-excess capacity would be $3.2 billion.

This is a great contradiction to the figures of $4 billion and $7.7 billion. Could your figures have included new construction costs or were they only annual operating costs?

Dr. WALTON. These were extracted from the annual operating costs independent of construction costs.

Miss BANZER. Then in that, we are both referring to the same study. I don't understand it, the discrepancy.

Mr. ZYLSTRA. We have recognized that difference. We had acquired our figures not only from the Bartell study which had the $3.7 billion, which I believe is related to the Catholic schools. Many other nonpublic schools are also involved.

Dr. WALTON. USOE gave us some figures. I would like to see those reconciled with the Notre Dame study of Catholic schools. And, I don't know whether the figures reported are only for the Catholic schools, but we added into it non-Catholic "independents." I think it yielded a larger figure.

Miss BANZER. This report states the estimated costs are for all nonpublic students, not just Catholic. I am particularly curious about these differences because your report is practically verbatim with this article, even to the point of explaining in the same language, why the seven States previously mentioned would have higher costs for their nonpublic students.

Dr. WALTON. Right.

Miss BANZER. Why is there a difference?

Mr. ZYLSTRA. The U.S. Office of Education figures are definitely higher than the Bartell figures, and we put the figures in there because there was no way of really making a firm determination of exactly what the costs are.

We have a variation of $3.7 to $7 billion, and there is no way of rectifying it or no way of determining what amount is actually the truer figure.

Dr. WALTON. I have heard estimates that, for example, for the Catholic schools the costs were close to $2 billion, but that reflected only direct costing and not indirect subsidies through contributed service by religious teachers.

Again, this intermixture often of a school budget with a parish budget makes it murderous to penetrate. Only now are they beginning to get around, I think, to a kind of clear data. But, if you would add the nonpublic school sectors to the costs of the parochial school sectors, I think the Bartell figures you quote are low.

Then, don't forget what the Bartell figures did, too, was make a judgment that historically there has been a declining teacher-pupil ratio, and the likelihood of that going back up struck us as not being realistic at this particular time.

Miss Banzer. You said it was just a rough figure. Even if you took the national average per pupil expenditure multiplied by the number of nonpublic students, you still would come out with about $4 billion, which would still be less than your low cost figure.

Dr. Walton. That is right, 4.4.

Miss Banzer. If you have a low figure of $4.3 billion to assume all of these nonpublic students into the public schools, and being realistic there would not be a mass exit to the public schools, and concurrently talk about tax credits which would cost approximately $0.5 billion a year, I wonder if this cost argument is strong enough rationale for Federal support. Perhaps it would be better to argue on a basis other than costs.

Dr. Walton. I think when I made the statement, I said that the cost factor was high, and there are also value factors, and also social costs, particularly in an inner-city if public school system collapsed. One can ask: "How much?" So, I agree totally with you, it is not simply dollars and cents but a kind of style of life we need for the future.

Mr. Pucinski. But, it is still a great savings for the Government to give these people a tax credit of 50 percent?

Dr. Walton. I think so.

Mr. Pucinski. As against some agency of Government, whether it is local, State, or Federal, picking up the cost of educating these children if the parochial schools are closed, and whether you figure $1.7 billion or use a figure of $7 billion or a figure of $4 billion, anyone of those figures is substantially above the $0.5 billion in tax yield that would be lost under the tax credit plan.

Dr. Walton. And that is independent of construction costs, and some cities are so far behind now, it is impossible to catch up in the immediate future.

Mr. Pucinski. One of the things I always find difficult to understand, I pay real estate taxes, as does everyone else, of about 54 cents out of every dollar, and the real estate taxes that I pay in Chicago go to public education.

Now, I deduct those real estate taxes from my income taxes, as does every other citizen, and if I had children in the public school system, I, in effect, would be deducting from my income tax the cost of educating my children.

All of those people who choose the public school system, and pay real estate taxes and deduct them are, in effect, deducting from their income tax the cost of educating their children.

Now, it is true that a person who sends his children to a parochial school and pays the same real estate taxes also deducts those taxes, but that person then applies part of the savings of that tax to a tuition for his child in the parochial school.

The only answer I have ever heard anyone give in rebuttal of that is "Well, that is his choice, that is the choice that the citizen makes, and he pays for that choice." That is about the only answer I have ever heard when you get down to equity of things, when you get down to the 14th amendment of equal protection and all of the other problems we have, this disparity would not stand up.

The only argument I ever hear is, "Well, but that is your choice and you have to pay for what you get." Now, has anybody made an analysis of the difference between the tax savings made by parents who send their children to public schools and pay real estate taxes and deduct them, and the parents who similarly deduct their taxes but pay an additional premium for sending children to parochial schools? Has a study been made?

Mr. ZYLSTRA. I don't know if a study has been made, but I think it would be a significant study and certainly very revealing.

Dr. WALTON. The Commission on School Finance did not.

Mr. ZYLSTRA. I think you bring up an important point, a matter of freedom of choice, because their choice becomes a sham when there are economic sanctions applied. I think, too, that when talking in terms of $500 million, we should not measure certain principles in terms of dollars and cents.

I think the whole area of principles and philosophy is very important and vital as far as pluralism in education of Americans is concerned.

Mr. PUCINSKI. Dr. Walton, I am very grateful to you. I know you had to cancel a number of appointments to be with us, and, Mr. Zylstra, I know you had to come all the way from Michigan, but I am pleased and your testimony is very important in that it does put us in perspective as far as this particular problem.

As you know, the tax credit bill is now before the Ways and Means Committee.

Dr. WALTON. Yes.

Mr. PUCINSKI. The committee, it would seem to me, is really kind of free to move on a good general aid bill now, because, I believe, we have brought into sharper focus this whole problem. For that reason, I am very grateful to you.

Dr. WALTON. Mr. Pucinski, could I say that if there are general aid bills, I am attracted to what I have discovered in some of them; namely, the "set aside" provision, and No. 2, the nonmingling of funds, Federal funds for States, or local funds because I think that is important.

I think the withholding provision is extremely important. I think the low income, or favoring of low income is important. One of the things I suppose is awfully difficult to arrive at is how the administrative decision is going to be arrived at, and what constitutes the kind of service that the money is intended to provide.

I know there are always mechanism for consultation, but the determination is always in one of the agencies, not in both. It is not codetermination which I would like to see achieved.

Thank you very much.

Mr. PUCINSKI. We thank you. I believe your panel has done a good job. I was particularly pleased that your panel did not duck the issue.

Dr. WALTON. We did not duck it.

Mr. PUCINSKI. You were appointed by the President to look into one aspect of education, and you came back with a set of recommendations. Now, whether these recommendations are good or bad, or whether they are workable or not, whether they can ever see daylight in legislation, I don't know, but at least, you did come up with a very specific program.

My disappointment with the Commission report is that it really kind of sidetracks the problems in the States, which already are overburdening. I feel very strongly that the Federal Government must become more involved because the Federal Government collects 64 cents out of every dollar and spends only 6 cents on education, whereas, the State government collects only 19 cents of every tax dollar but spends 40 percent on education.

Local governments which raise only 17 cents out of every tax dollar, spend 54 percent on education. It seems to me that the imbalance between local and State, local and the Federal Government, and I was disappointed in the Commission report that it did not address itself more to that particular problem.

I thank you gentlemen and we stand adjourned until 10 a.m. tomorrow morning.

(Whereupon, at 12:30 p.m., Tuesday, May 2, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, May 4.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

THURSDAY, MAY 4, 1972

House of Representatives,
General Subcommittee on Education,
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10:35 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Roman C. Pucinski (chairman of the subcommittee) presiding.

Present: Representatives Pucinski, Bell and Veysey.

Staff members present: John F. Jennings, counsel; Alexandra Kisla, clerk; and Cindy Banzer, minority legislative assistant.

Mr. Pucinski. The subcommittee will come to order.

Where did we leave off last time?

Mr. Berke. I have a statement.

Mr. Pucinski. I think we have your statement in the record, don't we, Mr. Berke?

Your whole statement has already gone in the record.

Why don't you just resume from where you left off last time?

STATEMENT OF JOEL S. BERKE, DIRECTOR, EDUCATIONAL FINANCE AND GOVERNMENT PROGRAM POLICY INSTITUTE OF THE SYRACUSE UNIVERSITY RESEARCH CORP., AND GUEST SCHOLAR AT THE BROOKINGS INSTITUTION

Mr. Berke. Mr. Chairman, I have been asked to speak most directly on a study of Federal aid to education that I directed some time ago and I will do that.

What I would like to begin with very briefly, though, is a summary of the State and local picture of school finance as it is derived from some other work that I have done, and work of Miss Levin and other colleagues, to give a setting for the Federal aid discussion.

We have a system of financing education in most States of the Nation that is both irrational and inequitable. It is irrational because it determines amounts of revenues and resources for education on the basis primarily of the vagaries of the local property base. And it is inequitable because, first, it often provides less resources for the students who need them most, and, second, it charges those more for education who can least afford to pay for it. And that means both jurisdictions and individuals who are least able to afford to pay for education are usually charged more by our taxing systems for education.

Now, the causes of this may be simply stated. The causes are primarily the reliance upon the local property tax for the bulk of financing of education and, second, the failure of State aid to make up for these disparities in local revenues.

My studies have suggested that the areas which are most afflicted and most affected by this pattern of inequity and irrationality is the largest central cities of the Nation and the most urbanized areas, on the one hand, and some of the poorest rural areas on the other hand.

The reason that the large cities, in particular, and the most urbanized areas feel the pinch of this system hardest is, again, something that can be simply stated, and I think Miss Levin will be dealng with this in greater detail, and in her graphics might make it clearer.

I think the first problem is that cities simply have a much more difficult educational job to do. They have students to educate who don't have the background for school.

Second, the costs for providing educational services in cities are simply higher. Personnel costs are higher, insurance costs are higher, land acquisition costs are higher, et cetera.

Third, cities and other urbanized areas are called upon to provide a range of services outside of the educational field which other areas are not, and it is therefore far harder for cities to raise revenues for education than it is for most other areas.

Fourth, there is a clear discrimination in State aid systems in almost all States of the Nation against central city areas.

Now, the causes of that discrimination I think Miss Levin will be discussing. It has to do with the fact that States utilize property value per pupil as their measure of capacity to support education. Cities tend to look rich if you look at property value. If you look at the income or some other factors that are more realistic, you get a different picture.

Now, this was meant as background to asking what Federal aid has been doing in this system. What I am reporting on now is a study which covered 4 fiscal years of Federal aid in five large States, a sample of 575 school districts. And let me simply indicate that it was a massive study with massive amounts of data but its results can be summarized, I think, quite simply.

One of the first things we looked at was how was Federal aid flowing in relation to these urban problems? What we found was that when we looked at total Federal aid flows for education in the major programs we found that central cities received somewhat more Federal aid than did their suburbs.

On the other hand, we found rural areas receiving as much Federal aid, and in our numbers in many cases more Federal aid than the central cities.

When we broke down the various Federal programs, in other words, we got away from this lumping of the total Federal aid and looked at some of it, we found a totally different story. We found, for example, that the title I of the Elementary and Secondary Education Act from a financial point of view is a tremendous success, in the sense that it is focusing its funds on these fiscally threatened central cities, and on these poor rural areas.

Much more title I money goes to central cities and to rural areas per pupil, than it does to suburban areas. So title I from a financial viewpoint is the only thing I see in the whole mix of State-Federal and local financing that is really focusing on the major problems that the schools deal with.

When we looked at some of the other programs, for instance, ESEA II, vocational education, NDEA, these funds frequently functioned to make the rich richer; that is, they went to suburban areas in particular whose needs were far less in my estimation than the other areas.

If I may call your attention to a table in my prepared testimony on page 19 you may be interested just to see the way those numbers flow and to compare them with State aid. This is table 2 on page 19. We look at five major States, looking at their central cities and their suburban areas, and we show in the first column the distribution of title I money and you can see that that money is flowing disproportionately to the cities, that is, they are focusing on the areas of disproportionate need. When we look at the second column we are looking at the other Federal aid to programs in which the States have the discretion as to where those dollars go.

Title I is largely determined by a Federal poverty-related formula whereas in these other programs, ESEA II and NDEA and vocational education, lunch and milk funds, there is a great deal of State discretion as to the districts that will receive the funds.

What we find there is that the funds are far less sensitive to the urban problem. When we look at State aid all the way out on the right-hand column, we find a reverse pattern in four of the five States: that is, that more State aid is going outside to the suburbs than it is to central cities.

Now in my mind, and as I analyze the problems facing American education, it is the Federal Government and title I that deserves the plaudits. On the other hand, there is another factor on that table and that is the difference between the size of the dollars per pupil here in the title I column and in the State aid column, and this does not even include local revenues.

Title I, unfortunately, is underfunded and it is too small to really dent, or to make more than a small dent, in these patterns that are so distressing and that are harming the education of millions of young Americans.

Another thing we found as we asked the question: Is Federal aid helping the areas of low financial capacity to support education, if you look only at the index of property valuation per pupil as an index of whether a community is able to support education or not, Federal aid is relatively neutral; that is, because cities have property valuation and because title I money strongly and even total Federal money slightly tends to flow more to cities than to outside areas, there is not a strong correlation between low property valuation and Federal aid, but if you consider that the determinant of whether a city or a suburb or a rural area—the determinant of whether it can support education—is the income of the community, then Federal aid is indeed related to the areas with low fiscal capacity. In other words, on a medium family income measure Federal aid flows toward low fiscal capacity.

How about the question of whether Federal aid is related to educational needs of pupils? Again, title I is the best performer and title I flows to areas with high proportions of minority group students in very high numbers, high dollar volumes. The more minority group pupils in a community, the more Federal aid it gets and particularly it is because of the more title I money it gets.

Mr. Bell. Excuse me.

Primarily that is because of poverty itself that the title I funds tend to go there.

Mr. Berke. Yes.

Mr. Bell. I assume then that in most cases they are interpreting title I to go in a larger percent to the deprived.

Mr. Berke. That is right.

Mr. Bell. Even where you have money for the lower proportion they overlook them and concentrate more on the larger proportion. Is this correct, for the most part?

Mr. Berke. I don't know the degree to which "for the most part" is true. On the other hand, the State has a good deal of discretion over whether it will concentrate those title I dollars only on areas of greatest proportion of needy pupils, either poverty or racial minorities, and there the record has not been so good; that is, States have tended to spread that money thinly.

Mr. Bell. One more question. Do you see also that where there are racial minorities and low-income groups they tend to coincide?

Mr. Berke. By and large, yes, sir.

Mr. Bell. It is fairly well close?

Mr. Berke. Yes, a good correlation between proportions in poverty and racial minority status.

Mr. Bell. Almost absolute.

Mr. Berke. It is a very high correlation.

Mr. Bell. All right.

Mr. Berke. Now I should mention, though, the one facter which I have not touched on yet which grows out of your question, and that is what do school systems do when those dollars get right into the school districts? That is, are the school districts themselves concentrating their dollars on the particular schools that have concentrations of the most needy pupils? I think what we have had a good deal of is the utilization of the title I money to replace State and local money that might otherwise have gone to or that according to Federal legislation should go to those schools in equal proportions before you add the Federal money on top. I am sure that was unclear. Let me rephrase.

The requirement of the law is that school districts are responsible for providing equal funds to title I schools and nontitle I schools out of their own State and local moneys. The title I moneys should then be added on top of that equalized funding.

Now, what we have found in some of our studies and what some other researchers have found also is that in fact what happens is that the amount of State and local moneys assigned to the schools with the most needy pupils is less than the State and local moneys assigned to other schools in the district and the title I money barely makes up the difference and perhaps provides for a 5- or 10-percent more funding in those schools, and so in that sense the intent of Congress is being defeated; that is, that these title I moneys are not simply added on to give compensatory education to pupils who come from deprived backgrounds but the title I money just frequently equalizes, in dollar terms, with the youngsters who already has strong educational background.

Mr. PUCINSKI. Yes, but I think that figure standing alone is not telling the true picture. I think that very often we find this disparity in the amount of money spent per student per school reflected in the salary schedule of teachers, particularly where you have a seniority system, where you have teachers who get automatic pay increases by length of service in the system.

Now that does not necessarily mean that the children are getting a better education because I have never been persuaded that the young teacher who just comes into the system does not offer children some good educational opportunities, and sometimes even better, because she has had the benefit of the most modern teaching techniques while preparing herself for the teaching profession.

But if you will look, for instance, in Chicago and this problem constantly comes up, they always tell us that the outlying schools get more money per pupil, and that is true, but that more money is reflected in teachers' salaries. If you will look at programs, you will find that the title I schools frequently have better programs for the youngster simply because they have this compensatory education, they have remedial teachers, they have teacher aides, they may have had the advantage of Headstart before they got there. But there are a lot of factors involved. So I am not too sure that one can say that title I money merely brings these schools up to a parity with other schools. I think that I would be much more impressed with that argument if I saw the actual programs in those schools because I would like to see a title I school and list all the programs and the services that a child gets in the title I school as against a nontitle I school, and even though that nontitle I school may get a substantially higher total amount of money in that school, most of the money is absorbed not by programs but by teachers' salaries because you have a teacher in the title I school who gets $8,000 a year, you have a teacher in a nontitle I school who gets $12,000 a year. But you still are talking about only two teachers and two classrooms and most probably title I school has some additional programs that the other school does not have.

Mr. BERKE. Mr. Chairman, I certainly would not want to disagree with you entirely, and I don't, and I believe title I has been effective in a number of places and studies have shown that also.

I would, however, say two things; the added salary to people with longer tenure and higher credentials in some cases is clearly representative of nothing more than aging. On the other hand, the fact that title I schools frequently have the least experienced teachers, the unaccredited teachers, the teachers who move after a year or two and don't have the continuity of contact with the school population, I think there is certainly an argument that can be made that those factors will make teachers less effective and I think it is a debate in which there is certainly not a black or a white or an either/or answer. I think we should take into account that the salary differentials are supposed to be measuring something. When we look at suburban communities in particular it is awfully difficult for a city to attract a teacher of comparable ability who can find a job elsewhere. With a teacher capable of being interviewed and accepted in one of the "better" school systems, it would be hard for the city to attract that teacher even if it had more money. That occurs, of course, because of the difficult working conditions and the immense challenges and sometimes the danger of inner city schools.

When, on the other hand, the salaries are sometimes lower, then the city stands very little chance of getting anything but the rejects. So I recognize the difficulty of equating simple dollar disparity with the quality of education, but I think there is an argument to be made certainly on both sides of that.

Mr. Pucinski. Let me ask you this, Mr. Berke, as I look through the statement; what is your feeling about a Federal aid to education program, how do you see it?

As you know, in the number of proposals pending before the committee, one calling for the Federal Government to assume one-third of the cost of educating a child, another one, the President has talked about some formula for tying in a tax reduction for the property tax.

How do you view these programs? What program do you think would be most effective, if for instance we should have the Federal aid to education program?

Mr. Berke. Mr. Chairman, let me begin by saying I have no pet program at this point of my own. There are several directions, however, which I think you may be interested in.

I think, first of all, that there should be a greater Federal role in financing education. I have no magic figure and I don't know if it should be 13 or 25 percent or what percent. I guess I have frequently heard the figure 25 percent, but I don't think there is any magic to it.

On the other hand, the Federal proportion should be greater than it is now. At the present time in the States that I have studied—for instance, New York has 3 percent Federal aid. Some of the Southern States have 22 percent. The average is 7 percent. So the first point I would make is we should have more Federal support simply because the Federal Government has more elastic revenue sources and because education is a national function.

Now I think along with that additional support there are a number of routes that the Congress can follow. One is simply to provide the money to the States to distribute essentially as the States feel is most most appropriate.

A second is to follow the categorical route; that is, to strictly determine the national purpose for which those funds should be expended.

A third route is one in which the Federal dollars are used as a lever to affect State policy.

Now, I guess my own predilections on the basis of the way I see Federal aid flowing versus State aid and title I in particular, is that I think there should be a categorical format to serve certain purposes and a lever approach in which you ask States to make changes in their irrational and inequitable funding procedures in order to quality for Federal funds.

For instance, there is some proposed legislation in which States are being asked to limit the range of disparities they permit in school spending and recognize educational need in their own State programs before they qualify for the Federal moneys.

I think this is one very possible approach and would go in line with the modern reform movement and the doctrines of the courts.

So if I may stop at that point, I think those are some of the general directions I would like to see us moving in.

Mr. Pucinski. We have talked about the possibility of a formula for first of all establishing a statewide base, a Federal aid program which would be available to those States that have set up a system where every child in that State gets a per pupil expenditure on education equal to the average of the top 10 percent of the State as you have suggested in your statement.

Now the question comes up, you have got every child in that State now getting an expenditure equal to the average of the 10 top percent of the State. Now we now try to find out how do we apply Federal aid. I have suggested a one-third formula, the Commissioner has talked about 30 to 40 percent. Let's assume for one moment that we adopt a one-third Federal Government. The hangup that I am trying to overcome is how do we now shift the burden of paying public education from the local taxes to the State for the remaining two-thirds, or what portion of the cost should be shifted?

Now, I would have no problem in just providing that the local government, the State government and Federal Government shall each provide one-third but we find in some States that State governments are now providing substantially more than one-third and so when you have that situation, what do you have? Do you reduce the local taxes? Do you reduce the State taxes?

I am looking for a formula that would be equitable to pay for the education of those children once you have agreed that every child in the State will receive for education the average of the 10 percent of the highest districts in that State.

The question is, where do we go from there?

Mr. Berke. May I start with their part of it, if I might?

Mr. Pucinski. Yes.

Mr. Berke. Mr. Chairman, I am not enamored of a system of distributing funds which treats all children the same and takes each district up to essentially equal expenditures per pupil. There are some pupils in those systems who simply need additional funds to be expended upon them and there are some——

Mr. Pucinski. Let me interrupt at this point. We have already I think stated here earlier, at least you did, and I am sure that I would support that, that the compensatory education programs must continue.

Mr. Berke. Yes.

Mr. Pucinski. Though we talk of a general aid program we are talking about helping schools open their doors. You have to start with that. One reason why there is so much poaching on Federal programs—you have spoken of that just a moment ago—is because these school administrators see this Federal money lying over here. It is true, they know it is earmarked for categorical use. They know that, but that money does not do them an iota of good if they can not open the door. Every school in Chicago is going to close their schools 12 days earlier this year. Well, we can have all the particular categorical programs, we can have all the bilingual and all the compensatory programs but they are all going to be shut down for 12 days because the superintendent could not open the school doors, he does not have operating money.

So when we are talking about general aid we are talking now about the kind of money that we provide under impact which just goes right to the school and it is "free" money and they use it in any way they need to keep that school open. I have not suggested we disturb any of the ongoing categorical aid programs because those have a specific purpose—compensatory education, bilingual and so on.

Special programs for children's learning disabilities, handicapped children, vocational education. We have not suggested any of those programs be disturbed so that that would take care of your concern that different children have different needs. The different needs will be met with the compensatory programs which were not disturbed.

The problem that I have, and I am sure my colleagues, what formula would you suggest that we apply for general aid to so-called free money?

Mr. BELL. Mr. Chairman, I think that the point you may be missing here is that he is saying that compensatory education is not reaching the children adequately.

Isn't this correct?

Mr. BERKE. This is part of it as well.

Mr. BELL. Part of the problem. So when you say we can take care of them through another basket, that is not true. You can not forget that basket. It has to be buoyed up and strengthened.

Mr. PUCINSKI. I think Mr. Berke and you will agree that one reason why compensatory programs have not worked, there are two basic reasons. One is that the local school districts that get compensatory programs are usually the districts in real serious trouble keeping their schools open for all sorts of reasons, but one of the biggest is low tax bases.

Secondly, the compensatory programs themselves are consistently underfunded because we have always had too little too late. We on this committee, on the authorizing committee, have after extensive hearings put together a program, and we agree this is how much we need but the appropriations committee says, well, those fellows on the authorizing [illegible]mittee usually take the highest figure that anybody throws out [illegible]y arbitrarily reduce our authorization when it takes on the form [illegible] appropriation to perhaps 20 percent.

So if the programs are not working it is not because our committee has failed to recognize the problem, it is because the appropriations committee has never funded them.

Mr. BERKE. Mr. Chairman, I would like to say that I think that deserves a great deal of emphasis, that statement that you just made, that title I is now funded at what, a billion and a half and probably if you fully fund it it would be $3 billion. I have seen estimates even more than that, of 6 and 7.

Mr. PUCINSKI. Seven billion next year.

Mr. BERKE. So when you talk about a third, a third and a third, that will be national figures, and from one State to another the proportion of the Federal and State and local funds, or Federal and State funds, will vary.

I see no problem with the fact that it will vary according to the needs of those States so that if some States have already adopted some of it, moved in some of the directions you are talking about, they would qualify for somewhat less funds. I think many of these States are now the States that are currently getting 22 percent or 20 percent or 18 percent of their funds from the Federal Government right now, so the fact that they would receive less if the measure was reducing disparities or moving toward greater proportion of the State finance, or what-not, would not trouble me greatly.

Mr. Pucinski. Let's get Miss Levin in the discussion.

Mr. Bell.

Mr. Bell. Mr. Berke, although this is purely idealistic, if we have a cost of education index and an education needs index, we would not need supplementary aids, right? These two indexes would tell in dollars what is needed for equal educational opportunity. Like I said, this is probably too ideal.

Mr. Berke. Congressman, there are many people working on precisely this approach. In New York State my group recommended, and the Fleischmann commission of New York State adopted, a system in which the State aid distribution would have a weighting factor for, in this case, pupils who scored low on statewide aptitude tests. In other words, those people would be counted one and a half times for purposes of aid distribution than other pupils.

Dr. Johns, I am sure, explained the national education finance program weighting system where they have done this. I would recommend some approach of this kind highly.

There is an even more idealistic approach, but one which we may be getting to in a decade or so, proposed by Dr. H. Thomas James, who was formerly dean at the Stanford School of Education. Dr. James proposed that what we should be moving toward eventually is a system where we diagnose the needs of each pupil and each classroom and each school and then budget on the basis of those needs rather than setting up some arbitrary per pupil amount. So the direction you mention is one that is more than simply idealistic, the States are moving toward it and there is something even further out than that which may be budgeting for individual needs and individual schools and on up to school systems, counties, and States.

Mr. Bell. Thank you.

Mr. Berke, you spoke of the overburden and the welfare problems. I am wondering if we had a welfare reform bill of some kind through the House—a good welfare bill would take care of some of the problems, and eliminate that overburden. Then do you think we could pretty well equalize our education or do you think that the needs of the child in the deprived area are so behind that you would still have to increase the educational compensatory educational amounts?

Mr. Berke. I think the latter would be what I would say: this is, that I think welfare changes are essential. I think these are all wrapped up and that will do something for improving education but it won't begin to get at the massive problem of educating pupils to whom English is frequently virtually a second language, where, for instance, one economist, Dennis Dugan, costed out the learning capital that was embodied in youngsters from deprived homes and middle-class homes on the basis of the amount of attention that the parents gave the pupil and that attention was valued in market value terms.

Now, that is arbitrary, to say that a college graduate spending time with her children is worth more than a grade school dropout, but there is something there that we all know does make for success in school.

When he tried to put dollars on this he came to figures which suggested that there were several thousand dollars per year that would have to be invested in the pupil from the deprived home to begin to compensate for what the other youngster had gotten from his parents so that I think welfare reform is a crying need and I applaud the Congress moving in that direction but I think that will not solve our problems in education.

Mr. BELL. So, actually, you think we are going to need more than the funding that even this committee might suggest to adequately do this job?

Mr. BERKE. I don't know what funding this committee will propose.

Mr. BELL. What we have suggested in the past.

You mentioned that compensatory education tends to bring the deprived schools up to parity with nondisadvantaged schools. Could you give some examples of the States in which this is true? And is this true of all of them or do you think just some of them?

Mr. BERKE. Well, my understanding of the national surveys that have been done, a study done 3 or 4 years ago called "Title I: Is It Helping the Poor?" found this as a widespread phenomenon. The American Research Institute, and I have seen only the newspaper reports—not the report itself—did a similar study just completed a few weeks ago and they said the pattern that was found 2 or 3 years ago still exists.

My own group's studies at this took place in three school districts in New York State. One of the decentralized districts in New York City, the district of Rochester and the district of Syracuse. Our data suggested, and it was on a somewhat different basis so that you could not take it and go to court with it, but it suggested that the degree of compensation that was coming about for the most needy pupils was 0.5 percent in one of those cities and the highest was I believe 15 percent in the most compensatory city, and that obviously means that the title I funds were replacing local dollars because it would have had to be more than that in those schools.

Mr. BELL. I see.

Mr. Veysey.

Mr. VEYSEY. Yes; thank you, Mr. Chairman.

Mr. Berke, let me see if I can direct the discussion around to another angle. All the emphasis here and, indeed, I guess in many ways the jurisdiction of this committee relates to how many dollars of input are going into the school system and seldom do we ever hear very much about how much educational output is coming out. We always see wide discrepancies. For example, some of the figures you presented here on page 21 compare New York City and other cities. New York spends a lot of money on education.

I don't know what your studies tell you as to how effectively that is spent, how results would compare with expenditures in terms of the effectiveness in producing educational results. I think the real name of the game is not spending the money but it is getting the results.

Mr. BERKE. Yes; I think it is clear that money alone will not bring better education.

Mr. VEYSEY. I think that is very true.

Mr. BERKE. I think we have found a number of programs which have combined added resources with new methods of one sort or another, or old methods that are being rediscovered and utilized, which have been effective and in which we can say that this total program of dollars plus new approaches makes for better achievement on the part of the pupil.

Now we need to go a lot further. When I talked about using dollars as the leverage for State action I would include not simply leverage on the way they distribute their moneys but on such things as beginning to require State-wide system of pupil testing so that we can begin to find out some of the answers.

Mr. VEYSEY. What is the extent of that at the present time among the States?

Mr. BERKE. Very limited. I don't think there are more than a half dozen States at the most that have comprehensive systems of Statewide testing.

One of the problems of evaluating the programs to date has been that they have frequently utilized different tests at the beginning of the period and at the end of the period so that as you may know, you can't even chart the beginning.

Mr. BELL. Excuse me just a minute.

You believe that this would be a great step in the right direction if you had uniform statewide testing. Is that correct?

Mr. BERKE. That is true. This would be a major output of the school. As Congressman Veysey is saying we spend most of our time talking about inputs and the dollars that go in because we know very little that is reliable about the outputs.

Now, New York State can put together a number of statistics in terms of college entry and going on to subsequent education and whatnot that will make at least part of its educational system look good and indeed there are other process statistics as to class size and what not by which New York City and New York State look quite good. Yet on the other hand, they are not doing very well with the toughest pupils they have to educate and you are right, New York City spends very high amounts of money in comparison with most other systems in the Nation. And this is, of course, on a per pupil basis, so the fact that they have over a million pupils in the system is factored out. But with the needs and the kinds of pupils they have to educate and the vast social problems that the school is being called upon to ameliorate, I would say it would be very hard to say that they have a great deal of money and therefore all their pupils should be doing well.

I believe that dollars tied to a whole variety of programs could make a significanct difference.

Mr. VEYSEY. Now would it be possible through these formulas to offer some positive incentive to States or to local districts for their effective use of Federal money in terms of producing educational results? I think we have a sort of negative incentive now. The worst they do educationally the more money they are likely to get.

Mr. BERKE. Let me make one very simple suggestion. Suppose that schools were required and the educational fraternity will not favor this, or some of it will not——

Mr. VEYSEY. They are not always in favor of some of these things.

Mr. BERKE. Suppose the schools were required to disclose the achievement levels how well the pupils were doing in each school in the system without the names of pupils, of course.

Mr. VEYSEY. They now require this in California after a great battle.

Mr. BERKE. California has long been one of the great leaders. In one of the studies that I directed we found California a leader in a number of areas. The point is that with information we would then be able to have some community groups and parents' associations and the political process in its best sense begin to enforce some of this quality control that you feel is necessary and I do too.

Right now people really don't know how good the schools are or how well they are doing in comparison to one other, and I think part of it is simply to give a handle to parent groups and others in the community who would want to make some changes.

Mr. VEYSEY. That would represent a step toward accountability in a most effective way, I would think.

Mr. BERKE. There is another thing I guess I would say, and that is by weighting the pupils who are the toughest to educate we at least begin to put the resources in the places where the problems are greatest. And while that assures nothing in and of itself, it is better than having it the way it is now where the teachers who have the toughest jobs to do are the ones who have the least money to work with, and that is the inequity that must be addressed before we can begin to see differences.

Mr. VEYSEY. Suppose you sent that money in some kind of a voucher plan system to the users of the education weighted in some way and according to what their needs are. What about that?

Mr. BERKE. I think I must plead some kind of ignorance because the voucher plan has never seemed to me a very viable alternative. It has seemed to be just riddled with so many practical difficulties that I have not given it the study I should, quite frankly. I would just like to avoid that.

Mr. BELL. I had a question. How far away are we from some of the things that you and my colleague Mr. Veysey, were talking about—the the setting up of a statewide program for examination which I agree is very important, developing a critique of the students in the class itself or a different school or students in school as compared to other schools, and so forth?

How far away? Are we moving in this direction or are we just in limbo? Do you feel there is a definite move to do these things?

The reason I am asking this question is that I recently completed a tour of the Soviet Union and they have not yet gotten to the testing area but they are moving in that area. And it worries me because if they are beginning to try to develop an areawide testing program, I think they could get the jump on us.

Mr. BERKE. We are at a point in history I think where we are teetering on an edge. I think there is a great movement for a whole series of reforms and one of them is testing. I understand 10 or 11 or 12 States are working with the Educational Testing Service in Princeton, N.J., to begin to really make inroads on the various problems connected with testing. Much of this is getting its impetus because of a combination of factors, the court cases, the commissions in many States which are moving toward State reform. And I think at the present time it looks as though we are moving in the direction of tackling seriously the problems and difficulties related to comprehensive testing that I won't go into now. But I would fear that when the States begin to realize how much it is going to cost for reform that unless there is some help from the Federal Government and some real mobilization of citizens and political and educational support for changes of this kind that we may look back 10 years from now——

Mr. Veysey. Mr. Berke, I think that is where the States are wrong. They are spending the money, they are not getting the results. Now the cost of reform is changing their ineffective methods of approach to the problem.

Mr. Pucinski. Would my colleague yield?

You know we just flip off statements like "States are spending money but not getting results." There are 45 million children attending American schools and by and large I think the educational system is doing a pretty darn good job under very difficult conditions. They are underpaid, they are underfinanced and they have got social problems and court orders and massive busing and realinements and all sorts of other enormous pressures on the school systems. I don't think that my colleague from California means that. Really, I am sure he does not mean that we are spending the amount of money and not getting results. We are getting results.

Mr. Veysey. Let me say we are getting results but not commensurate with the amount of money that we are spending. I can take you, you know where the schools are, where lots of money is being spent and very little education takes place and other schools with the same amount of money, or less, and a great deal is taking place.

Yes, we are getting a lot of education but not as much as we could be getting, or as much as we should be getting.

I think we need a careful assessment of the output, not the input altogether.

Mr. Pucinski. Well, I think perhaps you are right on that score but I just get somewhat disturbed when I hear the blanket indictment of the educational system because generally, as you look across the scope of America the crisis is to a great extent in the urban areas. For instance, in my own community around Chicago the suburban schools are beautiful and the young people are getting a fantastic education, a better education than any generation ever got across the board. You cannot say the same thing in the inner city schools.

Mr. Bell. Could I change this tack? I think you know it is a matter of degree that we are talking about, basically.

Mr. Berke, you are studying this particular point of finance also, is that right?

Mr. Berke. Yes.

Mr. Bell. I gathered that you feel that the present system of taxing by the local property tax is not the answer. Now you come to the question of what is the answer. One that is proposed is to change the local property tax burden and have the States carry a larger share based on the property tax, and then have the Federal Government come in for varying degrees, you mentioned I believe 8 percent, somebody else mentioned 30 percent, which I now tend to agree with.

I think the Federal and the State should carry a larger proportion of the burden of this thing. But then the question comes up as to just what method of taxation do we use. You talk about the property tax, which some people say is too regressive, so let's have an income tax. Well, that is unvotable. Nobody could vote an increase in income tax today and survive in my district.

Now the other possibility that I have heard of is the one being used in Europe: the value added tax. Have you reached any conclusions or given any thoughts as to which route we should go?

This is really where the bat meets the ball, as far as I am concerned, particularly from your standpoint in your work. That is a nice, easy question.

Mr. Berke. The property tax—well, the ideal system, if I had my druthers is the one which you say is unvotable. That is, we would shift financing to the State level but finance it increasingly through the graduated income tax.

Now an interim measure is to use the property tax, administered on a statewide basis for part of the costs of education, shifting somewhat more onto the income tax and, hopefully, increasing that as times change and as it becomes more possible—and I am not sure it is impossible, but you are the expert on that—to get more from the income tax, the State income tax. I think that by shifting the property tax to the State level you do improve the property tax considerably, or you can, the possibilities of getting away from the system of local assessment which has so much built-in inequity and unfairness and just plain arbitrariness becomes more possible.

The potential for introducing some sort of circuit breaker approach which some of the States have adopted whereby they have an income floor below which you don't pay property taxes—in other words, it seems to me you can tinker with the property tax more if you make it a statewide levy.

Mr. Bell. How about the possibility of a combination of the figures that I have studied. The value added tax which is being used successfully in Europe is much less regressive than the property tax certainly at the lower levels, and as long as you have the fact that you can't use the income tax because it is unvotable—you just can't survive in an election in any major State if you advocate an increase in income tax in the State, they would kill you with it. So the only answer is not what we would like to have but what is the most practical that we can get which is the least regressive.

I am wondering whether you adequately studied the value added tax income by nation with the graduated tax, if you will. It is somewhat less regressive than the property tax and it might have a little more of an appeal to reduce the property tax a little and join with the value added tax. Have you studied that?

Mr. Berke. I am not an expert on the value added tax. I have heard some discussions on the value added tax, as you have. It has appeal for those who like hidden taxes as being more votable, and just as the withholding on the income tax was such an important change in increasing the total amounts of revenue, I think the value added tax has some appeal depending on how it is devised.

The regressivity is something that the economists debate endlessly, and I have not heard the end of that discussion.

Mr. Bell. Did you study that, Miss Levin?

Miss Levin. We did not study either a Federal or a State value added tax.

Mr. Pucinski. Thank you very much, Mr. Berke. I understand that you have a plane to catch so we won't detain you any longer, but I am very grateful that you are here and I think that you certainly emphasize for the committee again this is not an easy job but it is one that has to be done. There is no question that the local communities can't bear a greater cost of education.

As you have quite properly pointed out, the housekeeping costs of cities have risen at such an alarming rate: Fire protection, police protection, sanitation, so that education becomes, of course, a stepchild when it ought to be the first priority.

I am most grateful to you for your contribution here this morning. Thank you very much.

Mr. BERKE. Thank you.

Mr. PUCINSKI. I hope you make your plane.

Mr. BERKE. Thank you.

Mr. PUCINSKI. Miss Levin, your entire statement is in the record already and we have gone through some of the slides. If you would like to continue where we left off last time, we would be very grateful to you.

STATEMENT OF BETSY LEVIN, DIRECTOR OF EDUCATION STUDIES, THE URBAN INSTITUTE, WASHINGTON, D.C.

Miss LEVIN. I'd like to briefly summarize some aspects of our studies. Mr. William J. Scanlon, who also worked on these studies, is with me today. Although Mr. Berke and I did our research for two separate institutions, I think much of our data really illustrates many of the points that he has made as well as some of the statements that the subcommittee has made today.

The first problem, as you have already mentioned, is the inadequacy of school revenues. We know of cutbacks in staff, the reduction of programs and temporary closings of schools. This is largely due to the fact that the cost of education has been rising astronomically in the last decade, at 10 percent per annum, while the property base is expanding very slowly—at 4.6 percent per annum. Since this is the major source of education funds, that means there had to be tremendous increases in tax rates in order to meet these rising costs and taxpayers are rebelling more and more against tax overrides and bond issues.

This has led to a search for alternative ways of financing education that would lessen the reliance on the property tax. At the same time, the court decisions have focused on the problem of school finance from another aspect, the fact that differences among districts in terms of property values and property tax rates, has led to inequalities in per pupil expenditures among school districts. It is really on that part of the problem that we focused our attention and our research.

The focus of the recent court cases, as you recall, was not only on the inequalities in spending levels but also in tax rates. The courts pointed out there are some districts which have to tax themselves at a very high rate and still are unable to raise as much money per pupil as wealthier districts with low tax levels. So we have looked at both the expenditure and tax burden issues.

I would like to illustrate through the use of some slides the results of our study, based primarily on the work which the Urban Institute undertook for the President's Commission on School Finance, which the subcommittee has asked me to review.

For the President's Commission study, we selected nine States which are diverse in their level of State aid, ranging all the way from Hawaii with full State funding, down to New Hampshire which has the lowest proportion of State aid of any of the States in the country. The States included in our study are Hawaii, Delaware, North Carolina, and Washington (high State funding), California, Michigan, and New York (moderate State funding), and Colorado and New Hampshire (low State funding).

We looked at the disparities in spending levels which might result from the different financing systems in each of these States. We then looked at alternative ways of financing education. We divided each of these States up into four types of districts—central city, suburban, smaller city, and rural school districts—to see what impact the existing financing system had on each of those types and also what the impact would be under alternative ways of financing.

The total number of districts we studied, excluding Hawaii which is unique, was 649 districts. Most of the data we are presenting to you today results from analysis of these 649 districts in eight States.

Using the State of California for purposes of illustrating differences in per pupil expenditures by type of district, we find that central cities on the average are spending more than suburbs and smaller cities, with the rural areas spending the least. This pattern is similar to that found in the other States in our study. The interesting thing is, though, that when we subdivided suburban districts into two types of suburbs based on the rate of population growth we found a somewhat different picture. Slow growth suburbs, represented by industrial communities like El Segundo, Calif., or Dearborn, Mich., or wealthy residential suburbs such as Grosse Point, Mich., or Beverly Hills, Calif., spend considerably more per pupil on the average than all the other types of districts. In contrast, districts which have experienced a rapid population growth, in California at least, are spending at a lower level than rural districts.

These data are based on averages. Disparities are even greater if you look at individual districts. In our sample of districts in California the range runs from $1,261 per pupil in Berkeley to $581 in Calexico, which is a rural district.

The reasons for the occurrence of these intrastate inequalities in per pupil expenditures is by now well known to this subcommittee. I will just summarize them briefly based on our analysis of eight States.

As you know, in 49 States, Hawaii being the only exception, the funding of schools is a joint enterprise of State and local governments, with just a very minor Federal input. In most States, the financing system relies heavily on property tax, which is a major cause of the inequalities we find.

Differences in the property base are one factor contributing to the differences in expenditures.

Figure 2 is based on the 649 districts in our sample. It shows that central cities have a substantially higher property base than the suburbans, smaller city, or rural districts. Rural districts have the lowest property values on the average in every State we studied except California and Colorado.

The reasons why central cities have such high property values are several: First, there is a higher concentration of commercial and, to a lesser extent, industrial property in cities.

FIGURE 1

CALIFORNIA
EXPENDITURES BY TYPE OF DISTRICT
1968-1969
(in $ per pupil)

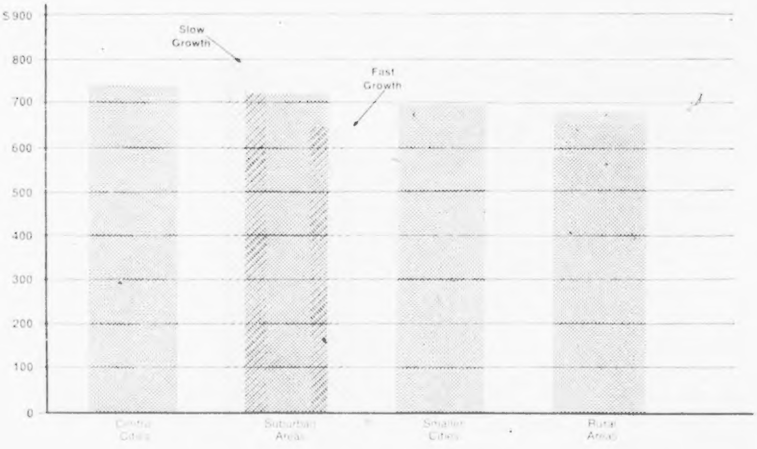
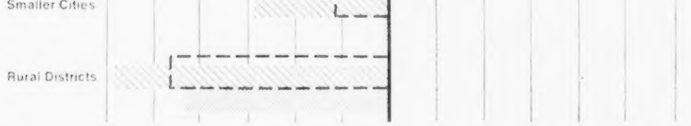


FIGURE 2

PROPERTY VALUES AND PROPERTY TAX RATES
BY TYPE OF DISTRICT
(1968-1969)



**Index based on 100 = Statewide average

Total Statewide P/P Property Wealth = $38.926

Total Statewide Effective Property Tax Rate Per $100 = $1.22

Total Statewide Average Per Capita Income = $2.578 (1966)

Secondly, there is a higher proportion of nonpublic school enrollment. Third, there is a smaller school age population relative to the total population because of the outmigration of childbearing households, primarily white, over the last decade. Since property is measured in terms of per public school pupil, cities look quite wealthy in terms of property wealth.

We also examined tax rates for education, as shown in figure 2. The central cities are somewhat below the average of our sample districts, while the suburban tax rates for education are quite high. Rural areas, not surprisingly, have the lowest tax rates for education.

Mr. BELL. That is because of the overburden, primarily?

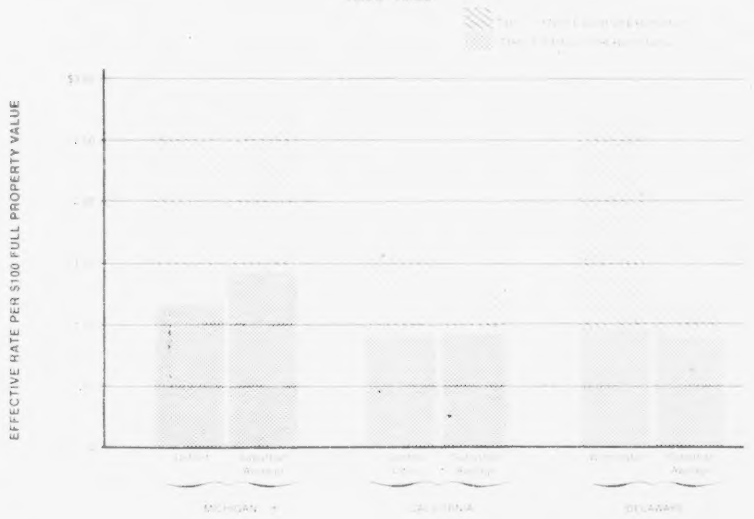
Miss LEVIN. You have anticipated my next point.

The problem with central cities is that while their taxes for education are low, their taxes for other public services are high.

We examined the property taxes paid by central city and suburban areas in the three States—Michigan, California, and Delaware. In each case, except Delaware, the central city has a lower tax rate for education. But when we examined the total tax rate, that for other public services as well as education, we found that in Michigan, the central city has the same total tax rate as the suburban average. In California, the total tax rate is substantially higher in the central cities than in the suburban areas, and in Delaware, the total tax rate for the central city is extremely high compared to the suburban average. This shows the problem in looking only at tax rates for education rather than at total tax rates.

FIGURE 3

EFFECTIVE PROPERTY TAX RATES FOR EDUCATION
AS A PROPORTION OF TOTAL PROPERTY TAXES
1968-1969



Another problem which very few State formulas recognize is that of differences in income among districts. We find that in many of our districts, property values do not reflect income levels. This is particularly clear when we compare central cities with suburbs. While the property base of central cities is higher than that of the suburbs, their per capita income levels are lower. (See fig. 2.)

Again, the rural areas have the lowest per-capita income on the average which may be one of the reasons why their tax rates are so low. They just do not have the ability to tax themselves at as high a rate as suburbs and central cities.

Another reason why the tax rate may be lower in rural areas, however, is that the cost of education is lower in rural areas than in the urban areas.

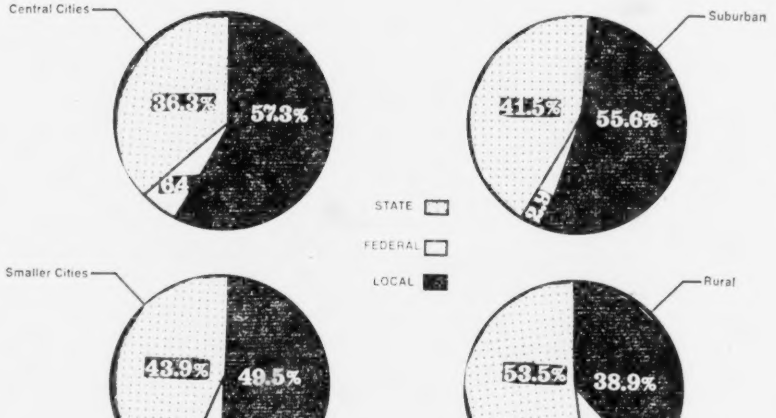
We examined the distribution of revenues by source of funding, that is, the governmental level from which the funds came. As I have already noted, local revenues comprise the largest percentage of the total education budget. These revenues are largely derived through the local property tax. Figure 4 shows that central cities are raising the highest proportion of local funds, and that the rural districts are raising the smallest proportion.

With regard to State aid, we find that the central cities get the least amount of State money, while the rural areas are getting the most.

Mr. Bell. That figure right there, the 55.6—what is that? Is that State aid?

FIGURE 4

REVENUE BY SOURCE AND TYPE OF DISTRICT
ALL STUDY STATES
(1968-1969)



Miss LEVIN. 55.6 percent represents that percentage of the total education budget in suburban districts coming from the State. We find that the suburbs are raising slightly less local funds as a proportion of their total education budget than the central cities.

Mr. BELL. I notice the State aid goes more to the suburbs than to the central cities.

Miss LEVIN. Right. And in percentage terms, you will see that the highest proportion of Federal money goes to the rural areas, and smaller cities next, and then the central cities.

Mr. BELL. This just about adds up to what Dr. Berke was saying a few minutes ago, that the Federal just about makes up that difference between the size of the State contributions in the suburbs and the size of the State contribution to the deprived area.

Miss LEVIN. You can see the differences more clearly in terms of dollars per pupil rather than in percent of the total education budget.

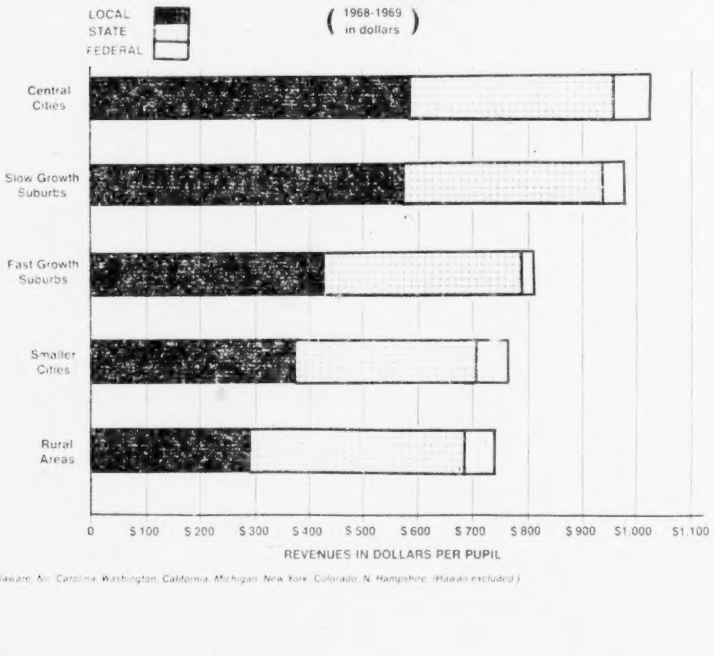
The central cities and the slow growth suburbs, as I've already pointed out, are raising a substantial amount of local revenues compared to the other kinds of districts.

When you look at State aid, you will see the differences among districts are not as great in terms of the State dollars distributed.

Finally, with regard to the minor Federal contribution, we find that while rural areas get a higher percentage of Federal funds, the central cities really get the highest amount in dollars per pupil. Federal aid is very minor in terms of the fast growing suburbs.

FIGURE 6

REVENUES BY SOURCE AND TYPE OF DISTRICT
ALL STUDY STATES*



*Delaware, No. Carolina, Washington, California, Michigan, New York, Colorado, N. Hampshire. (Hawaii excluded.)

Overall, the Federal money clearly is not enough to equalize the differences among the districts in State and local revenues.

Another issue that we examined in our study was who pays for public education—the other side of the disparity coin. We examined the differences in the tax burden of selected income classes for the support of public education.

Figure 6 is a composite picture of the tax burden for all of our States. We have included Hawaii, so that nine States are incorporated in this analysis of the total tax burden paid through both State and local taxes for education.

The lowest income group, earning between $2,000 and $3,000, is paying 9 percent of its income for education through both State and local taxes, while the highest income groups, those earning $15,000 and over, are paying less than 5 percent.

The State tax structure is slightly progressive, largely due to the fact that most of the States in our study, such as California, have a progressive State income tax. This means that the low-income group is paying a somewhat lower percentage of its income for the State share of education than the highest income group pays.

Since most education money comes from the property tax, which is quite regressive, it overwhelms the slightly progressive effect of the State tax structure.

The individual States do vary, though, as you know, in the way in which they tax their citizens. Figure 7 shows the tax burdens for education in each individual State.

FIGURE 6

COMBINED TAX BURDEN FOR SAMPLE STATES
(1968-1969)

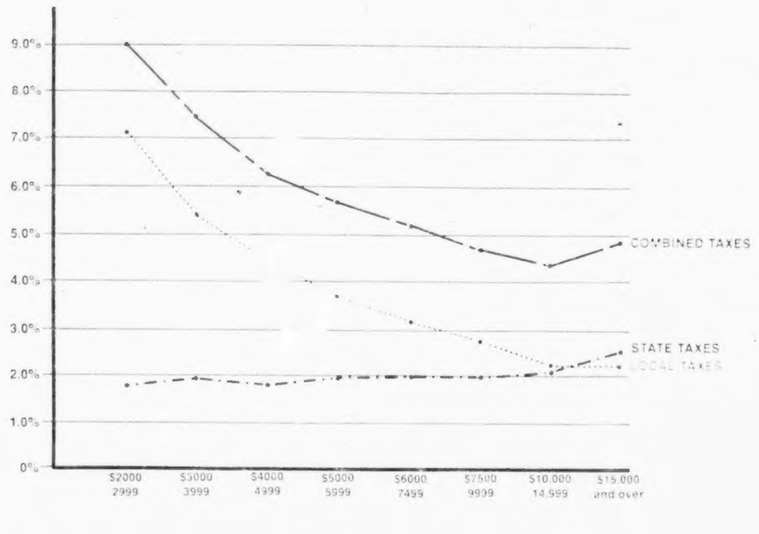
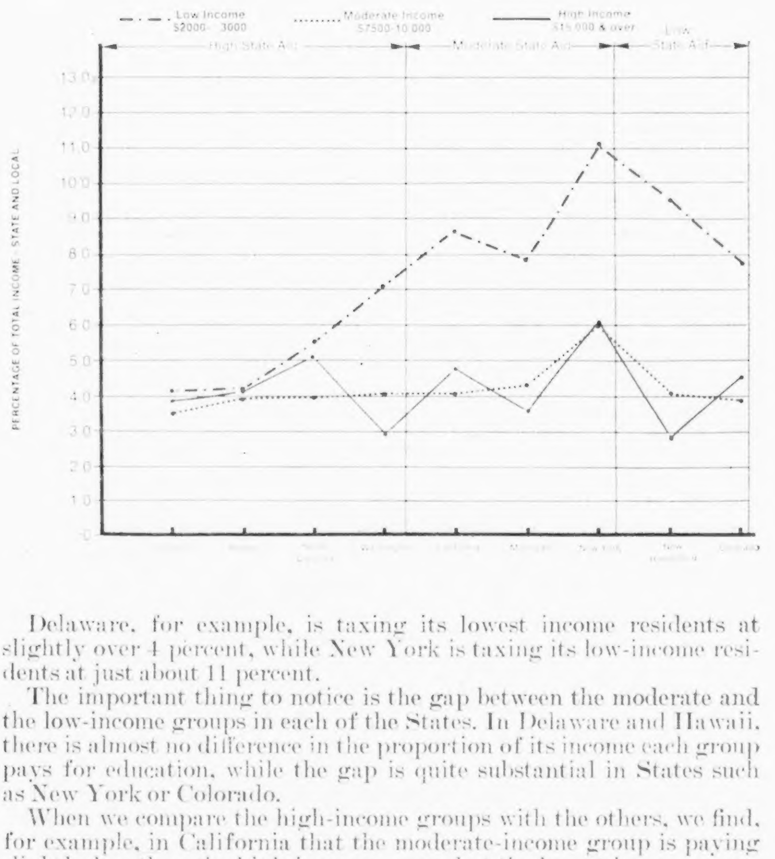


FIGURE 7

COMBINED STATE/LOCAL TAX BURDEN FOR EDUCATION BY SELECTED INCOME GROUPS 1968-1969



Delaware, for example, is taxing its lowest income residents at slightly over 4 percent, while New York is taxing its low-income residents at just about 11 percent.

The important thing to notice is the gap between the moderate and the low-income groups in each of the States. In Delaware and Hawaii, there is almost no difference in the proportion of its income each group pays for education, while the gap is quite substantial in States such as New York or Colorado.

When we compare the high-income groups with the others, we find, for example, in California that the moderate-income group is paying slightly less than the high-income group, but the lowest income group has by far the largest share of its income going for the support of education.

Mr. VEYSEY. Mr. Chairman.

Mr. BELL (presiding). Mr. Veysey.

Mr. VEYSEY. It seems to me that at that point in our discussion the other day, when you briefed the California congressional delegation, you made an assumption to the impact of the tax burden through rental payments; is that not correct?

Miss LEVIN. For this analysis we shifted all of the property tax forward to the renter.

This assumption is based on studies such as that by Dean Dick Netzer, "Economics of the Property Tax" (the Brookings Institution: 1966) as well as our own analyses. There are certainly authors who have disagreed with that assumption, but since we did not have any actual data, we had to compute.

Mr. VEYSEY. I think it should be pointed out for the committee that it is an assumption. I don't know whether it is right or not, and I don't think anyone can prove it one way or the other, but that makes an awful lot of difference when you realize that low-income situation there, because you have made that particular assumption.

Miss LEVIN. It will probably vary, as I think you yourself pointed out the other day, from area to area within a State. It depends upon the supply or demand for housing in an area whether the owner can pass all of it on in the form of rent. Then you may be shifting the whole thing forward.

Mr. VEYSEY. That is right.

You are simply saying we have assumed half of it is passed on, which is probably in any given case likely not to be the case.

Miss LEVIN. But on balance, it may work out.

Mr. VEYSEY. That does some funny things to your redline income there, it seems to me.

Miss LEVIN. I think you are right, but I think on balance the assumption is not that far off. At least other researchers have shown, when checked, it is a reasonable assumption to make when you are looking at a State as a whole. As I say, different parts of the State will be different, but when you look at the State as a whole, it is probably a reasonable assumption.

Mr. BELL. Of course, a lot of your low-income people don't pay rent.

Mr. VEYSEY. That is the point, yes.

Miss LEVIN. You are correct and I should note that we did not take into account low-income people who rent public or publicly subsidized housing which may be tax exempt. Thus you are correct in noting that the property tax burden for low-income groups may be overstated in our analysis. However, we also exclude Federal tax offsets, so that we may be overstating the burden on the middle- and upper-income groups as well.

Mr. BELL. You are assuming in the rent the renter always pays his property tax, but also takes care of the rent, also inadvertently takes care of the property tax, too.

Miss LEVIN. Yes. The landlord is not going to absorb the total cost himself, and the rent reflects at last some of the property tax that the owner has to pay. In some of our California analyses, we assumed it was half.

Mr. BELL. Yes. Is it that low? I thought it would be just about right up to the snuff, most of the time.

Miss LEVIN. Our data we are presenting to you today does make the assumption that all of the tax is passed on to the renter in his rent.

Mr. VEYSEY. She pointed out, Mr. Chairman, the situation varies from place to place, depending on the supply and demand. If the owner is able to pass that on, and fully rented up to capacity, he is going to do it. If he cannot, he cannot.

Miss LEVIN. If it is a competitive market.

Mr. Veysey. He may pass none of it on, or he may pass it all on.

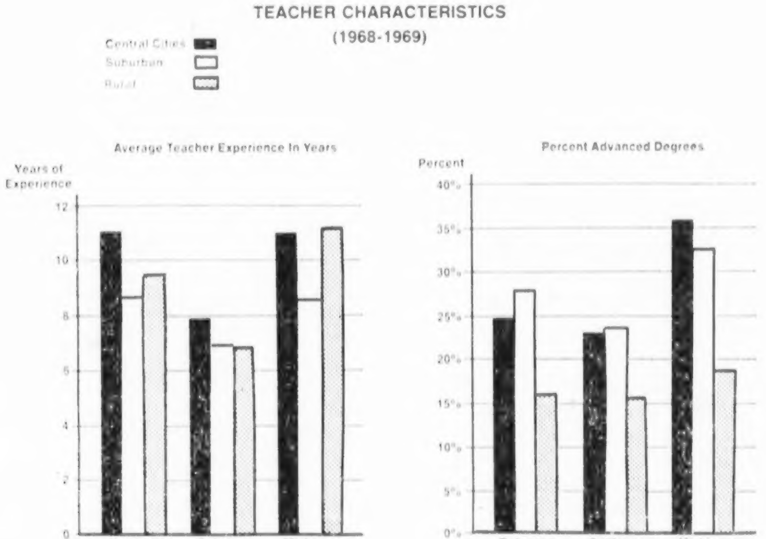
Miss Levin. Before proceeding with our analyses, I should point out a fact of which this subcommittee is well aware: that simply achieving dollar equality is inadequate. There are differences in the cost of providing the same educational service, and, as Mr. Berke pointed out, there are differences in student need. The proportion of students who may need higher cost programs, such as the intellectually gifted, the vocational, or disadvantaged student, does vary among the types of districts.

We focused primarily on cost differentials in our study for the President's Commission. The principal factor affecting the differences is instructional costs. There are differences in noninstructional costs, but they are relatively slight in most of the States that we examined. You do find administrative costs higher, on the average, in urban areas, as are plant operation and maintenance costs.

But on the whole, the basic difference is in instructional costs, and it really boils down to teachers' salaries.

We looked at the differences in teacher experience by type of district for Delaware, California, and Michigan. Comparing teacher experience in central cities with that of the rural areas, we find that in every case, except in Michigan, central cities clearly have a higher proportion of experienced teachers than the rural areas. When we looked at the suburban districts, we found suburban areas have the smallest proportion of experienced teachers. Since, as you know, the salary schedules all reflect seniority, the central city districts have to pay more just because they have, locked in through the tenure system, a higher proportion of experienced teachers.

FIGURE 5



Mr. Bell. You mean the deprived central city areas have to pay a larger amount?

Miss Levin. Yes, because they have such a high percent of the teachers at the maximum end of the salary scale in terms of experience. Now, you will generally find that most suburbs which are new and growing will hire the bright young teachers just out of college with no experience.

Mr. Bell. Then you are saying that the central city areas get the most experienced and best teachers?

Miss Levin. No, I am not equating experience with "best." I think perhaps experience does help, but only up to a certain point. There are probably diminishing returns as far as the quality of education is concerned after a certain period. The point is that the central city, because of the tenure system, still has to pay these teachers a greater amount of money whether or not they are "better" teachers.

I don't think we can look at it in terms of better education, but as costs which the central city cannot avoid because of the tenure system and the salary scale.

Mr. Veysey. I think that is an interesting point you make there, because the impression has often been given that it runs counter to that, that the central cities are only able to get the very inexperienced teacher, and the better teacher hops out to the suburbs.

Miss Levin. No. Our data does not show that when you examine the average for central cities and compare it with the average of all suburban districts.

Mr. Bell. I think Mr. Berke indicated that.

Miss Levin. I don't want to interpret for him, but I think what he meant was the ghettos within a central city, and you do find—he was at that point talking about title I within a single school district—and we do find the same results he mentioned in many of the city districts we studied on a school-by-school basis. We find the more experienced teachers and those with more advanced degrees are in the white, middle-class schools within the central city district; but in the poor and minority schools within that same district, you have the inexperienced teachers. They are leaving the inner core of the city for the outskirts of that same city, as well as leaving it for the suburbs.

Mr. Bell. You are saying that when you take the whole area of the central city, there are some areas that are not so deprived, and they have a tendency to have better teachers?

Miss Levin. More experienced.

Mr. Bell. More experienced teachers, yes; but as Mr. Veysey has said, that seems to belie what we have been hearing, in the talk of so-called combat pay for the teachers who go into the central city areas.

I mean, how much is the so-called ghetto area? We speak of the central city, and how much of it is ghetto?

Your statement would tend to diagree with the comments that we have always heard. That has been one of the big weaknesses they have been talking about: inadequate, inexperienced teachers.

Miss Levin. I should point out that we do have data which show that central cities do have to pay teachers with equivalent education and experience more than the suburb and rural areas, partly due to the higher cost of living, but also to the fact that they may be having to attract teachers with this higher salary.

Mr. BELL. In other words, they are paying combat pay?

Miss LEVIN. In a sense, yes.

Mr. VEYSEY. Mr. Chairman, let me go to the definition of the central city as you have used it. Could you bring that down to terms we can understand? In Los Angeles, what is the central city?

Mr. LEVIN. That is a school district with a total population of 250,000; so in the State of California, the central cities are Los Angeles——

Mr. BELL. That would include West Los Angeles and everything else.

Mr. VEYSEY. That is everywhere?

Miss LEVIN. San Diego, Oakland, Long Beach, and San Francisco.

Mr. BELL. No. I mean we are talking about Los Angeles as one school system, one school district. Brentwood is in it, and the West Los Angeles area, the wealthy areas, San Fernando Valley, Bel Air, they are in that. They would, under your classification, be called central city.

Miss LEVIN. We are talking about the Los Angeles Unified School District.

Mr. VEYSEY. Yes.

Mr. BELL. Yes.

Mr. VEYSEY. I think your term "central city" is misleading.

Mr. BELL. Question of semantics.

Miss LEVIN. We are talking about the school districts, regardless of which residential areas are included in the district borders.

Mr. BELL. I think that is where the difference is. When we hear "central city," we think of so-called hard-core areas.

Miss LEVIN. Inner cities.

Mr. SCANLON. Part of this confusion results from using this as the average for the total sample. First of all, the average is just one measure of the group of teachers, and I think we will find in central cities that we have concentrations of two types of teachers, the young, inexperienced teacher, and the much older, very experienced teacher who is locked into the inner city school system because of pensions. His pension rights are not transferrable to the suburban schools, and thus he is locked in until retirement. Those teachers are generally concentrated in the middle-class neighborhoods, and the new, inexperienced teachers are generally sent into the inner city.

The other thing is that since it is the presentation of data for the total sample of States, while the term central city may be inappropriate for describing Los Angeles, we found similar patterns in other States. Areas like Detroit, Wilmington, New York City are more typical of "central cities" than Los Angeles. Our findings were the same in these States regarding the distribution of teachers.

Miss LEVIN. You see the same phenomenon in Detroit, compared to the suburban average for Michigan. Again, in terms of advanced degrees, you will find that there is a mixed pattern. Sometimes suburbs have more teachers with advanced degrees; sometimes central cities. Rural areas, however, consistently have the lowest proportion of teachers with advanced degrees.

So I think the general point these data illustrate, is that even if you had a uniform salary schedule, you would still be spending more money in urban areas than you do in rural areas, just because the salary scale will be graduated according to both advanced degrees and experience.

As we were discussing earlier, however, we do not have uniform salary scales; and we find, using Michigan as an illustration, that a teacher with a bachelor's degree with no experience gets a higher salary in Detroit then in the suburbs. The salary for the same teacher is even lower in the rural areas.

For a teacher with a master's with maximum experience, the suburbs are paying the most; but central cities are paying the second highest, with a very sharp drop in the salary for an equivalent teacher in the rural areas, and——

Mr. BELL. Again, when you are speaking of central cities——

Miss LEVIN (continuing). We are speaking of Detroit. Detroit is a single school district.

Also, in Delaware, our other example, we are speaking of the Wilmington school district which is also the entire city of Wilmington.

California is different, where you have cities and school districts which are not coterminous.

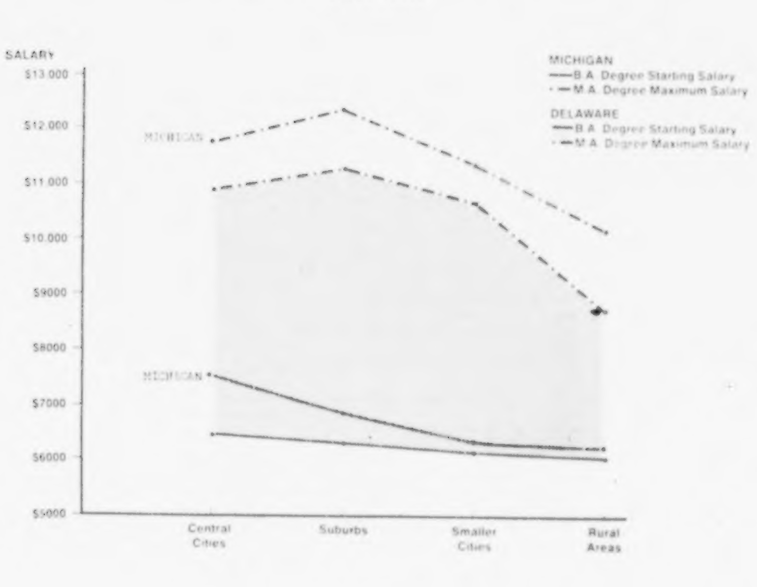
Mr. BELL. Los Angeles has one school district.

Miss LEVIN. For example, Baldwin Park is in Los Angeles County, but is a separate school district.

I'd like just briefly to point out student need differences, since Mr. Berke has already discussed it in such great detail. I would just like to illustrate with the State of Michigan the problem of differing concentrations of different types of students.

FIGURE 9

COMPARISON OF TEACHER SALARY SCHEDULES
(1968-1969)



Detroit has 28 percent of the total pupil population in our sample districts; rural areas have about 12 percent. But when we look at the distribution of minority students, we find that Detroit has almost 70 percent of the State's minority students. So if minority is used as some measure of disadvantaged background, the central city of Detroit has a higher concentration of disadvantaged students relative to its total enrollment compared to other types of districts.

Mr. BELL. Would you say that outside of the rural area, I will ask the same question I asked Dr. Berke—using the same concept you would say that generally they coincide, the economically deprived and the minorities?

Miss LEVIN. I think in large part that is true. Obviously, that is a rough approximation. We certainly know of middle-class minority families whose children are achieving well in school.

Mr. BELL. The only places it might deviate are in the rural areas, but basically in the cities I would think it is almost 70, 80 percent that coincides.

Miss LEVIN. Minority is probably a close parallel with disadvantaged and low achievement, but not exact.

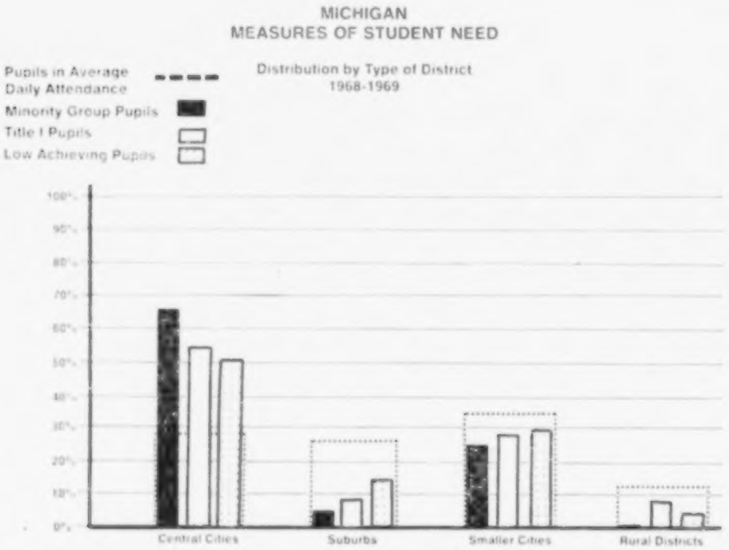
The distribution of title I students illustrates the point we were just discussing. Title I students, as you know, are low-income students or students whose families receive welfare. The proportion of title I students is slightly lower than the proportion of minority students.

Mr. BELL. What does that blue line represent?

Miss LEVIN. We show that over 55 percent of all title I children in our sample districts in Michigan are located in Detroit.

Rural areas of Michigan, which have a high percentage of families

FIGURE 14



with low-income but few minority students, also have a substantial number of title I recipients. So there is not an exact correlation between minority and disadvantaged.

Mr. Bell. But that is rural.

Miss Levin. This is rural, right.

Finally, we looked at the statewide achievement test data for Michigan. Here again, while Detroit has only 28 percent of the total pupil population, it has 50 percent of the low achievers. In sum, this shows that the central city has a concentration of students who require higher cost programs.

I think the final point really that I want to make is that if the States were to revise their systems in response to demands to equalize expenditures, from what we have learned in terms of differences in costs and differences in student need, obviously a simplistic equal dollar approach would be the wrong answer. What it would mean is just a redistribution of the money now raised through the local property tax from central cities and slow growth suburbs into the other types of school districts. This ignores the fact of their higher costs because of a concentration of disadvantaged children or for higher cost programs for vocational or handicapped students. We find central cities often have a higher proportion of physically and mentally handicapped students or vocational students. Also, as I pointed out earlier, there is a difference in teacher salaries in both the slow growth suburbs and the central cities because of a higher proportion of teachers with more experience or advanced degrees.

But even if the States took all those factors into account so that you had some formula which was not an equal dollar distribution formula, there would still be some problems. In Michigan, for example, we find a substantial range in per pupil spending. The situation appears to be ripe for a *Serrano*-type requirement to equalize. If we wanted to spend no more money in that State than is now being spent through both State and local taxes, but simply redistributed the State and local revenues, taking into account that some districts had more disadvantaged students than others, there will be greater equalization, but only Detroit and the rural areas get more money. Most of the suburbs and smaller cities, such as Pontiac, Flint, and Grand Rapids, will lose revenues. Politically as well as educationally, this does not seem feasible. So what this means is that the States will have to level up or you are just going to have too many districts who will oppose equalization. However, if we level up, fewer districts lose revenues, but the cost to the State is substantially more than what is now being spent for education.

Mr. Bell. But you would lose money in areas like Flint, using that example, because of the lower percentage of disadvantaged?

Miss Levin. No, you would lose money because these districts are now raising more from local revenues. If you no longer let them keep their local revenues, but redistribute the funds under a full State funding formula, that is, when you have a fixed amount of money to distribute, and you redistribute it——

Mr. Bell. Then you are saying that you bring this down a little bit and these up?

Miss Levin. Yes; and I think politically that is going to be a problem.

Mr. BELL. But those that have less money, when you analyze the overburden and the other problems they are still probably better off.

Miss LEVIN. Yes. You definitely raise the expenditure levels in some districts but the problem is whether you can lower expenditures in a substantial number of districts.

Mr. BELL. We have heard lots of testimony before this committee advocating that you don't lower the upper, you just bring the lower up. That means more money.

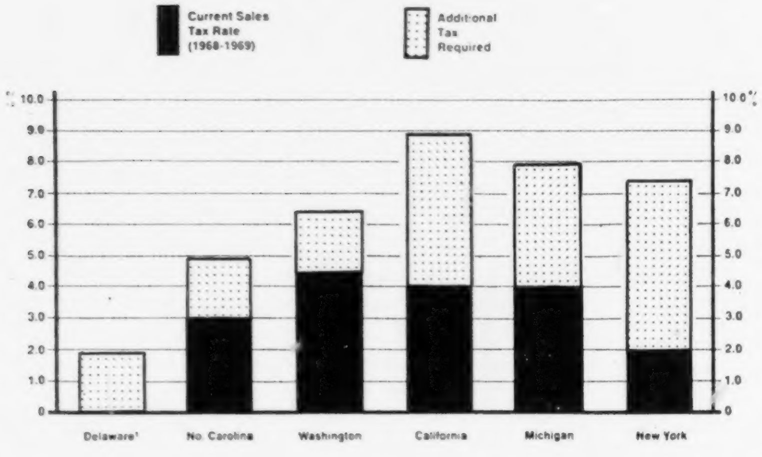
Miss LEVIN. This is a problem—how do you raise this additional money. And even when we analyze methods to raise only the amount of money now raised through the local property tax, rather than additional new revenues, there are problems.

Figure 11 shows the amount that the sales tax would have to be increased in some of our study States to raise the amount of money that the local property tax now raises. For example, California—these are 1968–69 figures—would have to have a sales tax of almost 9 percent. I should point out that in New York, the State sales tax now is 3 percent. Moreover, this analysis ignores the fact that counties have a local sales tax option and some of them have a local sales tax as high as 4 percent now. So that in some counties you could have a sales tax as high as 12 percent. I think there are probably political problems in doing that.

Mr. BELL. You would have to do something comparable to that to raise it. If the State were to take on the responsibility, would you not have the same problem on property taxes? You would probably have to raise property taxes too.

FIGURE 11

STATE SALES TAX AS AN ALTERNATIVE TO PROPERTY TAX FOR EDUCATION



¹ Delaware Does not have a sales tax.

In other words, it is as broad as it is long. You have to raise it one way or the other.

Miss LEVIN. That is right. If you use the statewide property tax and eliminate the local property tax and try to raise the same amount of revenues, what it is going to mean is an increase in the tax rate for central cities over their existing rate of tax.

As I have already noted, since they already have a higher total tax it is going to mean an increase in their property taxes while for suburbs, there will on the average, be a decrease. In rural areas it will mean a substantial increase in the property tax. The problem is, as we pointed out earlier, they have the lowest per capita income levels so it may be a burden that the average resident living in rural areas just cannot meet.

Mr. BELL. You have the same problem with the value added as you would with property tax.

Miss LEVIN. We also examined the feasibility of increasing the State income tax.

Again using California by way of illustration, to raise the amount of money now raised through the local property tax solely through an increase in the State income tax, the income group earning $15,000 and over would pay 7½ percent of its income, where before only 3.3 percent of its income is taxed.

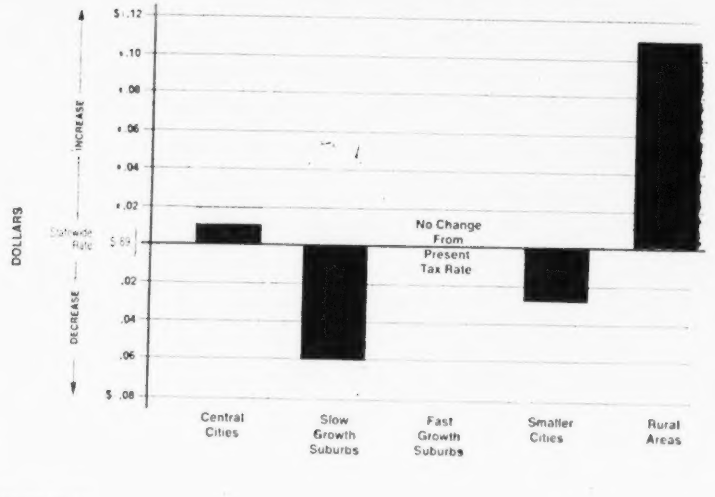
Again, it is a question of whether politically this is feasible.

Mr. BELL. Well, I would welcome anyone who wants to run against me on that platform.

FIGURE 12

CALIFORNIA

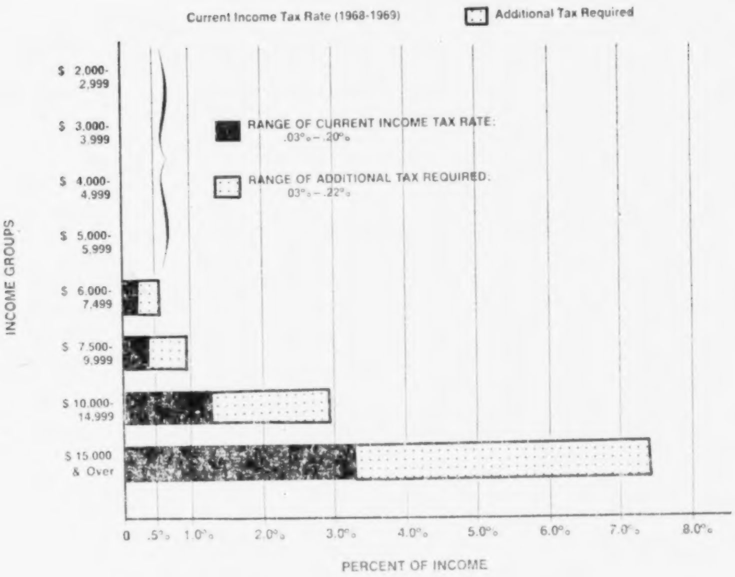
IMPACT OF STATEWIDE PROPERTY TAX ALTERNATIVE ON PRESENT TAX RATE*



*Based on 1968-1969 data

FIGURE 13

CALIFORNIA
STATE INCOME TAX AS AN ALTERNATIVE TO PROPERTY TAX FOR EDUCATION



Miss. LEVIN. We feel that our research has shown some of the complexities involved in equalization and the difficulties in letting the States go it alone in trying to respond to *Serrano*-type lawsuits and the pressures for redistributing funds. It appears to require substantially more revenues than at least some States appear to be capable of raising now.

Mr. BELL. Well, it looks like we have run out of time, Miss Levin, but thank you very much for the very explicit and very effective testimony. We appreciate your being here very much. We would also like to thank Mr. Scanlon and Miss Linda Coe from the Urban Institute for their help today.

This committee will be adjourned until 10 a.m. next Thursday.

(Whereupon, at 12:05 p.m., the General Subcommittee on Education recessed, to reconvene at 10 a.m. Thursday, May 11, 1972.)

FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

THURSDAY, MAY 11, 1972

House of Representatives,
General Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Roman C. Pucinski (chairman of the subcommittee) presiding.

Present: Representative Pucinski.

Staff members present: John F. Jennings, counsel; and Cindy Banzer, minority legislative assistant.

Mr. Pucinski. The committee will come to order. We are very pleased to have this morning Prof. Michael Kirst of Stanford University and Dr. Eugene McLoone of the University of Maryland, who are going to be discussing the various problems of financing public education.

I wonder if we could have Dr. Kirst and Dr. McLoone take their places here.

Dr. Kirst, we are very pleased to have you here, and also Dr. McLoone. We have been holding hearings on various methods of financing public education. Obviously, the present method is not working out and we are very pleased to have you here and you may proceed in any manner you wish, Dr. Kirst. Your entire statements will be placed in the record at this point and each of you can summarize your statements or whatever you prefer.

Dr. Kirst. I think we are pressed for time so I would like to outline the statement and its general major points, and I urge you to interrupt me at any point during the discussion, and then I will go back to the details of it at a later point.

Mr. Pucinski. All right. Your prepared statement will be inserted at this point in the record.

(The statement referred to follows:)

Statement of Michael W. Kirst, Schools of Education and Business Administration, Stanford University

INTRODUCTION

This Subcommittee has recently heard several experts testify on the problems of our current system for school finance. To be sure there is considerable controversy about the extent and nature of this problem. Some people even deny the existence of a large problem. But I wish to deal in my prepared statement with the strengths, weaknesses, and difficulties of the various solutions. I do believe our system of financing schools is plagued by insolvency, inequity and inefficiency. however, we should not spend all our time documenting the problems when the solutions (and particularly the Federal role) are equally controversial and complex. Consequently, for the purposes of this discussion, let us assume the existence of a major problem and critically examine some of the leading proposals for remedy.

There are several possible remedies and each one has its peculiar strengths and weaknesses. We can look at these alternatives first in the abstract—without specific states and localities in mind—and then integrate them into specific state and local contexts. To get ahead of the analysis, I contend there is no wholesale solution that is best for all states. The enormous and fundamental diversity of the American states results in one remedy being optimal for one state and utter nonsense for another.

One thing that most remedies have in common is a new federal role of using federal aid to get leverage or to provide an incentive for reforming state finance and plans. In the past we have ignored the underlying problems of the state finance systems and have concentrated on federal categorical assistance that merely supplements (7% of total expenditures) an uneven and irrational state-local finance base. Even now we hear the Nixon Administration proposing to spend $300 *more* for disadvantaged pupils. But what if a low wealth district (with many minority children) taxes itself hard and raises $600 while its wealthy white neighbor raises $1,200. The $300 in additional federal compensatory funds now results in closing the gap to $900 for the poor minority district and $1,200 for the wealthy. Yet many national commentators continue to say the poor will get more spent on them because of federal compensatory aid!

This is my major objection to federal general aid that leaves the inequitable and irrational state financing systems undisturbed. Indeed the federal general aid would likely result in only propping up an outmoded finance system that should be scrapped. Consequently, I oppose H.R. 7796 and H.R. 12695.

You have already heard extensive testimony on the problems in the existing state finance plans. If federal aid should be used in part to support local schools, but also in large part as leverage or incentive for state finance reform, we then confront the question of what type of state finance system is most desirable. In short, what conditions or goals for state finance should be embodied in federal legislation? What are our targets? These remedies will be the focus of my testimony, and perhaps they will illustrate the feasibility and desirability of the leverage approach.

SOME REMEDIES—DISTRICT POWER EQUALIZING AND FULL STATE ASSUMPTION

There are two primary routes that states can use to conform to recent court decisions and remedy the major problems prior subcommittee witnesses have stressed. One alternative is commonly known as "District Power Equalizing" and the other is labeled "Full State Assumption." These two plans embody different assumptions about what is best for our citizens. Let me briefly review these plans in their pure form for you and then evaluate them.

District Power Equalizing (DPE) assures equal school revenues for equal local district tax effort. It also retains the local school district as the basic decision making unit for determining tax rates. The state may provide expenditure and tax rate minimums and maximums, but the specific points within such boundaries are at the discretion of local school boards and/or voters. The typical DPE proposal is premised upon retention of the property tax.

The primary feature of a DPE plan is that the state guarantees a local district any expenditure per pupil it selects from a tax rate (per $100 of assessed valuation). Obviously, state funds must supplement the local tax base of poor school districts. For wealthy districts, revenues generated in excess of the scheduled per pupil expenditure level revert to the state. "Recaptured" funds are then free to be redistributed by the state to "poor" districts. A schedule might look like the following:

Tax rate per $100 of assessed valuation	*Guaranteed yield per pupil, regardless of local property base*
$2	$725
3	850
4	975
5	1100
6	1225

Under Full State Assumption (FSA) the state collects and distributes all money for financing public schools. There is no discretion for local school districts as to tax rates or amounts spent. Under a FSA plan, a decision must be reached as to what will serve as an "allocation unit" and how much money will be appropriated per such unit. Typically, Average Daily Attendance or Average Daily Enrollment are used but it is possible to use classrooms or teachers as allocation units. A price tag is then affixed to a unit that covers the costs for the schooling of every "normal" child (or classroom or teacher). (Since we have no research or cost/effectiveness basis for determining this amount, the price depends on conventional education wisdom, economic reality, and political feasibility.)

An alternative way to determine the grant level is to calculate the dollar price of raising the statewide per pupil expenditure rate to, for example, the level of the 60th, 70th, 80th, or 90th percentile of all such present expenditures in the state. The state would then "level up" each low wealth district to perhaps the 80th percentile.

Full State Assumption is not tied to the property tax base as is District Power Equalizing. The standard FSA proposal envisions that property tax revenues be retained, at least in the short run, and that they should be supplemented with revenues from the state general fund. The property tax under FSA, however, can be more readily levied on a statewide basis since local option is featured in DPE.

A COMPARISON OF TWO PLANS

The Nixon Administration has submitted a draft proposal (one of several alternatives the administration is analyzing) for study to the Advisory Commission on Intergovernmental Relations. This proposal would raise $13 billion in revenue through a Value Added Tax and distribute the proceeds to the states for education. Two conditions would be attached for a state to qualify:

(1) No local property taxes could be levied for school finance; (2) statewide property taxes could be levied only on businesses and *not* on residences for school support.

In effect, this idea would force full state assumption and preclude District Power Equalizing. It is precisely this type of choice that makes it imperative to compare FSA and DPE. In this endeavor I am indebted to James Guthrie of the University of California at Berkeley.

LIBERTY VERSUS EQUALITY

Guthrie points out that DPE caters to the "libertarian" value stream which pervades the American polity, whereas FSA aligns itself with the widely shared "egalitarian" viewpoint. DPE requires and encourages local choice regarding school expenditure levels and tax rates and no doubt some localities will opt for minimal expenditures. This local control stress is seen as an intolerable weakness by egalitarians. Equalitarians point to the injustice of permitting a child's address to determine the amount spent on his schooling. Why should a child or household that values education intensely—as does a majority of the state—be subjected to school conditions established by his neighbors who want to hold down taxes and place little value upon schooling.

In terms of operational issues, DPE adherents argue control always follows dollars. FSA will lead to state dominance of personnel and curriculum. Certainly, our big city districts dramatically demonstrate there is little to be gained from large size.

The FSA egalitarians assert they are also for [illegible]al decision-making. They contend that once local citizens are absolved from [illegible] need to raise money and the time it takes to adequately finance the schools, [illegible]l boards will be able to focus on important educational matters like pe[illegible] and curriculum.

WEALTH AND EDUCATIONAL [illegible]E

Guthrie express this policy trade-off in this ma[illegible]

"If high income districts consistently chose [illegible] expenditure levels from a DPE schedule and to the extent that school dollars make a difference, then District Power Equalizing might not, in fact, satisfy a fiscal neutrality principle. Indeed, it might serve to permit schools to continue to perpetuate social class distinctions. The analogy here might be to "freedom of choice" plans to achieve racial desegregation. There is nothing inherently bad about a freedom of choice plan; the problem simply is that they usually do not suffice to remedy the previous evil, racial segregation."

In effect, DPE could result in unfair "place discrimination" because it takes money to move, housing may not be available, and there may not be any jobs.

STATE OF EDUCATIONAL PRACTICE AND GOAL SETTING

A number of recent reports have highlighted how little we know about what particular educational resources and techniques are effective. Moreover, education goals are inherently a value question—some people stress "good citizenship." others preparation for universities. Given this state of affairs, DPE seems to take a more reasonable approach by contending "We do not have precise knowledge so let individual choice have free reign to experiment." FSA has to be more precise about levels of spending because the amounts and allocation units are uniform statewide. Moreover, FSA by depriving high expenditure districts of their wealth advantage, will curtail experimentation and innovation. The "light house" districts will be shackled by financial constraints.

On the other hand, federal experience under ESEA Title III indicates low wealth districts have many creative ideas that can be demonstrated through the enhanced financial base of an FSA system. DPE may also discourage the recent trend toward consolidation of inefficient school districts. FSA removes the financial disincentive for small wealthy districts to resist consolidation.

PROPERTY TAXES AND EXPENDITURE ALTERNATIVES

District Power Equalizing has appealed primarily to those who believe Full State Assumption will necessitate a level of state control that is politically unpopular. On the other hand, DPE as it has been proposed would encourage the continuation of the very unpopular local property tax for educational purposes. FSA offers the possibility for widespread property tax relief by replying primarily on traditional state tax sources—sales and income. Moreover, DPE as we pointed out, can not deal adequately with the higher levels and wider array of services needed in cities. A big city, already supporting more services than its suburban neighbor from property tax revenues, would nevertheless have to tax itself an equal amount for equal school expenditures. In New York City, for example, the per capita cost of welfare and public safety was each over 2.5 times higher than the average in other school districts in the state.

This latter analysis brings us to the question of tax trade-offs among income, sales, value added, and property. In my view the subcommittee needs to devote considerable time to these alternative mixes. The property tax could be greatly improved by: 1) uniform assessment so that equals are treated equally, 2) higher taxes on land than on structures to mitigate regressivity, and 3) a "circuit breaker" to relieve property tax burdens of low income people or those who endure tax rates considerably above the statewide average.

In short, before the federal government decides to eliminate residential and local property taxes as a condition for receipt of federal aid, Congress needs the same kind of analytical trade-off discussion I have presented on the expenditure side between District Power Equalizing and Full State Assumption. For instance, we can construct an alternative to DPE that relies on a federal income surtax for the schools. Taking the nation as a whole, the rate of income surtax would be approximately 13 percent if the residential portion of the property tax was given up. The state could establish some minimums and floors and then guarantee a specified amount of school expenditure per student, graduated in accordance with the schedule of income surtax rates and of the following form:

School district's income surtax rate	*School expenditures per student*
5.0	$500
7.5	650
10.5	800
12.5	950
15.0	1100
17.5	1250
20.0	1400

In this way we could overcome some of the objections to DPE based on its reliance on property taxes. We could also combine FSA and DPE to meet other objectives by using a high state aid expenditure floor accompanied by a statewide uniform property tax rate. Local districts could decide, however, to add on 10%–15% to the basic state grant. District ability to raise these added revenues would be "power equalized." We could combine local discretion with ensuring a high degree of resource equality.

The point I am making is that a federal program for revamping state aid needs to include a number of alternative choices for states and localities to pick from. They might choose FSA, DPE, or some combination. The mix and emphasis of taxes can also vary widely. The next section will amplify this viewpoint.

FEDERAL AID IN A STATE CONTEXT

I have recently completed some research on the political and administrative behavior of six states in distributing federal aid—California, Texas, Michigan, Virginia, New York, and Massachusetts. One of the principal conclusions for federal policy formulation is the enormous variation in state political behavior and value systems. The difference between state education goals and policy making in Massachusetts and Texas was overwhelming. In School Finance, we have states that provide about 9% of total funds (New Hampshire) and states that have full state assumption (Hawaii).

Some of these states, particularly in New England, have a strong bias *against* state control and would probably prefer DPE. Others like North Carolina have a history of a large state share of school costs (only 18% is local money) and presumably would not be too resistant to FSA. These different state policy preferences stem from such historical factors as the hatred of English governors in New England to the decimation of the North Carolina local property tax after the War between the States. These distinctive political traditions have withstood an enormous amount of economic change and population migration.

In drafting prior federal legislation, a drafter's view of the role the states should play is likely to depend on which state he is thinking about. If his picture is of New York or California, he is likely to write his bill in terms of that state's probable reactions and contributions. If his picture is of a small and backward state, he is less likely to respect state perogatives or free choice. My own studies stress the need to treat states in a differential fashion because the differences are often more important than the similarities. In terms of federal grants administration, we should work through good states (giving them plenty of latitude) and bypass the weak ones. In terms of school finance, we should permit states to have a number of reform options and let them choose the one that best suits their economic realities and political traditions. Particularly in finance systems the state start from such different points; California relies heavily on property taxes while in Florida state sales taxes predominate. Any ban on property taxes would be easy for some states to meet and exceedingly difficult for others.

In sum, the variations in state traditions, the weaknesses and strengths peculiar to each solution, and the alternative value judgments embodied in each alternative, all argue for flexible federal standards or incentive payments for state finance reform. I shall return to specifics of this theme after a brief discussion of differential funding.

ALTERNATIVES FOR DIFFERENTIAL FUNDING

The subcommittee has heard several experts stress the need for some districts or pupils to get "more than equal" resource inputs. Indeed there is considerable concern that the *Serrano* decision will be a millstone for big cities rather than a milestone. I am submitting for the record a Stanford Research Institute paper prepared by William Furry, Thomas Thomas, and myself. This paper succinctly discusses the most widely proposed alternatives for differential funding. Federal policy makers should not include the severe educational problems of the cities and minorities as an afterthought in aiming for equality of resources. Such an approach could lead to using whatever money is left over—after strict equality is attained—to provide extra resources for cities and minorities. The money that is left is likely to be insufficient.

Before the federal government can begin to intelligently plan for differential funding, it needs to understand the current impact of total federal aid to education. It is deplorable that the most recent study (1968 data) of total federal aid received by school districts in six states had to be completed by the Syracuse University Research Corporation. Despite many contracts and expenditures USOE still can not give this subcommittee data on how current federal programs reward some school districts more than others. We do know federal categories work at cross-purposes—some favor wealthy districts, others poor districts.

Differential funding is usually implemented by weighting some pupils more than others in a FSA or DPE scheme. Our review of differential funding formulas results in this three-level classification that may help the subcommittee sort out the numerous suggestions it will hear.

(I) Differential funding concepts that have no major conceptual, measurement, or spillover problems. Policy makers can choose among alternatives in this classification depending on values, political exigencies, or compatibility with an existing or proposed pattern of federal and state aid.

(II) Differential funding concepts that appear to have considerable conceptual merit but have not been developed sufficiently to be operationalized. More R & D is indicated before they are used as a basis for the allocations of funds by the government.

(III) Differential funding concepts that have major conceptual deficiencies or can not be measured adequately for use in federal formulas or project grant decisions.

A preliminary sort of the various approaches into the different classification levels results in (I) containing approaches based upon—

(1) Measures of tax effort, tax severity and taxable capacity through such indices as the relation of the taxes collected to school district wealth or income capacity (per capita or per pupil).

(2) Payments for organizational changes such as school district consolidation or entry into cooperative arrangements with other school districts for specialized services, e.g., vocational education or data processing.

(3) Project grants for "innovative" or "exemplary" programs. The paper points out several shortcomings with prior use of this concept by OE.

Approaches classified in level (II) are based upon—

(1) Estimates of differential capital embodiment in students by parents as estimated by Dugin and Levin.

(2) Indices of the cost of providing education in different states and LEA's.

(3) Predictions of pupil achievement based on pupil SES variables or tests given before school entry.

(4) Formulas for allowing local enrichment, e.g., power equalization.

Approaches classified in level (III) include—

(1) National Education Finance Project formularized input approach for directing funds to the disadvantaged, vocational education, etc.

(2) The claims for the existence of municipal overburden.

In summary, we recommend that proposals for differential funding be considered inseparable from proposals for equalization for funding and that comprehensive analyses of the total funds flows be undertaken.

The most interesting and potentially useful options are in category II requiring more research and development. As our experience with 1960 Census data for Title I ESEA demonstrated, indicators of poverty are not precise, collected frequently enough, or related to school districts. Because of these and similar problems, the New York Commission on Quality, Cost, and Financing of Elementary and Secondary Education recommended use of more direct school-related measures of educational needs. An added weighting of 1.5 is proposed for each child who scores below the third stanine on statewide standardized test. By administering the test at the child's first point of contact with a particular school (first grade), the outcome can not be an incentive for educators to give up and for schools to do poorly. However, such a test is still under development.

Another option in the research stage is the combination of an income and school-related measure of educational handicap. Low scoring children on tests could be weighted 1.2 and on a poverty index 1.3 (combination would yield 1.5). A district's dollar entitlement for poverty children need not be used exclusively for school-related endeavors. Rather, various medical, nutrition, psychological, and counseling services might be provided a poor child, his family, or immediate community.

Despite some extensive research we still have no satisfactory measure to adjust our distribution formulas for costs of education or cost of living. On the latter point we are forced to use teacher salaries as a cost indicator. This is at best a crude measure of relative costs between districts within a state or between states. It also can provide an incentive for teacher organizations to raise salaries in order to get more federal and state aid. It would be far better to pay the Bureau of Labor Statistics to collect cost of living data on a regional basis within states and to compile state indexes for use in potential federal formulas.

CONCLUDING REMARKS

I have touched on a number of school finance reform issues in order to highlight the pros and cons of alternative remedies, the complexity of the issues, and some of the major gaps in our knowledge. I have also stressed the inherent diversity of our states and their varied school finance traditions. Perhaps our best option is to set up general standards but not force all states to assume all costs of education or eliminate residential property taxes. Under such a plan the federal government would monitor expenditure disparities caused by differences in school district wealth (rather than differences caused by local choice under District Power Equalizing or weighting for educational or other handicaps). If the wealth disparities became too large, federal general aid would be reduced or eliminated. Such a scheme would permit states to choose either Full State Assumption or District Power Equalizing (or a combination) and still qualify for the maximum amount of federal aid. The Federal government could also require some differential weighting for educationally handicapped children but let states choose the weighting system—e.g., low income, urban factors, or achievement tests.

On the other hand, perhaps only a plan as large as the $13 billion raised under a Value-Added-Tax would be a sufficient federal incentive to reform the current $42 billion state and local share of school finance. If increments from the income tax, tax reform, or revision of current federal categories can provide only $2 or $3 billion in new federal funds, the federal incentive might be too weak. A $13 billion federal aid program as the ACIR is now studying at the request of the Administration could also do something significant about the reduction of property taxes. Again, we come back to the major theme throughout—there are a series of options, and choices depend on the priorities of policymakers like this subcommittee.

Rationales for Differential Funding Done for the SRI-ERPC

(By William Furry and T. Thomas)

Differential allocation of school resources is most frequently designed to serve one or more of three purposes; first, to offset disparities in educational needs; second, to offset disadvantageous fiscal characteristics of school jurisdictions; and third, to motivate desired behavior. The first justification relates to the needs of individuals and groups of students. The second and third justifications concern the needs and operations of education jurisdictions and systems.

In this paper we will examine the various rationales for differential funding. Our focus will be on, the conceptual issues relating to the justification; second, on the problems and research needs associated with a conceptual framework; and, third, on the implications of the various bases for differential funding on the allocation of school resources.

EDUCATIONAL NEEDS [1]

The term "needs" as used by educators and others refers to some standard of public service to which all people in general, or particular groups, should have access. The standard of service stipulated has been variously defined in terms of 1) inputs per student or the cost thereof and 2) educational output, however defined.

The traditional approach to the measurement of educational needs has involved defining it in terms of the purchased inputs into the school system. The most commonly used measures have been dollars of expenditure per pupil and dollars spent per classroom unit.

In recent years, however, a number of scholars have taken a different approach in the measurement of educational needs. Their focus has been on educational achievement or the output side of education. Typically, output has been measured by scores on standarized tests—verbal and mathematical achievement.

The input and output approaches to the measurement of school district needs imply different assumptions concerning the nature of educational opportunity and the conditions for equality.

The basic assumption underlying the use of inputs as the measure is that educational opportunity consists essentially of exposure to a curriculum and that responsibility for benefiting from the educational program properly rests upon the students and/or their parents. The amount spent per pupil or per classroom unit is then offered as a measure of educational opportunity provided. For the school district as a whole, "need" is the cost of a given curriculum multiplied by the number of students or the number of classroom units. Equal opportunity, in these terms, consists in the availability to each student in a category (handicapped, disadvantaged, regular, and so forth) of the curriculum which is being offered to other students in that category.

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[1] The following page is based, extensively, on the analysis of Harvey E. Brazer, et al., in *Fiscal Needs and Resources: An Interim Report to the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education*, December 10, 1970.

Underlying the output measures of student needs is the basic premise that educational opportunity has meaning only with reference to the achievement levels that students are able to attain. The goal of equal opportunity, in this case, is reached when achievement levels are equalized among variously defined groups of students.

In the following paragraphs we will look closely at the two conceptions of educational need, discuss the problems and research needs they evoke, and examine their implications for allocation formulas.

INPUT MEASURES

The input approach to educational need is exemplified by studies conducted for the National Education Finance Project.[2] In these investigations, educational needs are defined as the cost of providing a curriculum. Studies of historical costs of "exemplary" school district programs are, usually, the basis for determining the cost differentials of programs. The educational needs of a district or state are ultimately derived by multiplying the observed costs of a program by the number of school-age children eligible for that program and summing over programs. In recent years, researchers have undertaken extensive analyses of program cost differentials and have presented data demonstrating that *between different educational programs* there are significant differences in costs. Typically, the cost differential is related to the cost of the basic elementary program; thus, for example, for 12 urban districts it was found that the average cost of vocational education (7–12) was 1.915 times that of elementary education. The following table shows the cost differentials calculated in a recent survey.[3] (The actual grades 1-6 expenditure per pupil is not necessarily the same for the three types of districts in the sample.)

RATIOS OF MEAN CURRENT OPERATING EXPENDITURES PER PUPIL BY PROGRAM AND GRADE LEVEL TO MEAN EXPENDITURE PER PUPIL IN BASIC PROGRAMS, GRADES 1 TO 6, 1968–69

Programs (1)	Cities, 12 districts (2)	Suburbs, 8 districts (3)	Independents, 8 districts (4)
1. Basic program: Grades—			
1 to 6	1.000	1.000	1.000
7 to 9	1.127	1.174	1.135
10 to 12	1.446	1.219	1.454
2. Mentally and physically handicapped: Grades—			
1 to 6	2.397	2.476	[illegible]
7 to 9	2.098	1.878	[illegible]
10 to 12	2.220	1.752	2.111
3. Socially maladjusted: Grades—			
1 to 6	2.554	[illegible]	.000
7 to 9	2.890	1.392	.000
10 to 12	2.432	1.557	.000
4. Remedial and compensatory: Grades—			
1 to 6	1.805	1.702	2.354
7 to 9	2.940	1.996	2.157
10 to 12	1.718	1.962	1.616
5. Vocational-Technical: Grades 7 to 12	1.915	1.635	1.781
6. Prekindergarten	1.133	1.047	1.499
7. Kindergarten	1.298	1.110	1.159

Using the input measure of educational need, the level of resources allocated to a given education jurisdiction will be a function of three factors: The total school age population, the distribution of that population in terms of program needs, and the relative costs of different programs. In general, between two jurisdictions containing the same school age population, the one with the largest proportion of students needing the most expensive programs will have the greatest educational need. Total need and the distribution of resources among programs achieved by a formula using weights of the kind shown in the table will be extremely sensitive to the criteria employed in identifying target populations.

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[2] National Educational Finance Project, Vol. 3, *Planning to Finance Education*, Roe L. Johns, Kern Alexander, and K. Forbis Jordan, eds., 1970.

[3] NEFP, vol. 3, p. 26.

Several problems which arise in the calculation of program costs are discussed here; the difficulties associated with the identification of target populations are examined in another chapter of this report. The program concept implies the existence of a set of identifiable goals, inputs, and processes. To the extent that these elements differ between programs, we are dealing with different programs. Thus, one of the major difficulties with the input approach is the non-comparability of programs. In their study of 31 compensatory programs, Burke, Kelly, and Garms[4] found that 1) no two programs had exactly the same purposes, and 2) even programs with similar broad purposes such as the development of reading skills, so differed in how they were formulated as to imply varying resource inputs. The non-comparability of programs suggests that efforts to determine "the" cost of compensatory education (or, for that matter, of other programs) provide figures that are in many respects, meaningless, or, at best, misleading. The problem is similar to that of calculating the cost of balls by looking at baseball and basketball factories.

Another difficulty in the program approach to the calculation of educational needs concerns the selection of programs for cost analysis. Usually programs are chosen because they have a reputation for being "exemplary." In the NEFP studies, "exemplary" programs were selected by experts in the relevant fields—compensatory education, exceptional education, vocational education, and others. Since valid data on program outcomes is lacking in many cases, the selection process is highly theoretical and subjective. Obviously, there is the danger of computing costs for programs which in fact fail to achieve their stated purposes.

A third complexity associated with the program approach involves the identification and costing of resource inputs. Uniformly, researchers complain that given present school accounting systems, it is extremely difficult to measure, for comparison, the actual level of resource inputs in a given program.[5] There is significant diversity in program accounting procedures between states and districts. Isolation of resource inputs is further complicated because of overlapping purposes, target populations, and programs. Time spent in a program by personnel employed for two or more programs is hard to estimate for any one program.

In most school jurisdictions, direct and indirect costs are included in both the "instruction" and "administration" classifications.

Also capital outlays, supplies, and auxiliary services, for a particular program often are lumped with those for other programs and often serve two or more programs. Clearly, much work is needed to sort out the costs of educational programs.

In conclusion, the input concept of educational needs described here underlies the "foundation" program of aid now so prevalent among the states. Its basic premise is that exposure to a standard curriculum constitutes equal educational opportunity. Ultimate responsibility for achievement rests with the student and his parents.

This brief review of some of the practical and conceptual difficulties associated with input, or program, analysis of educational need, suggests that the validity of input measures of educational need should be strongly questioned.

OUTPUT MEASURES

The conception of educational needs measured by outputs is based on the premise that equal opportunity consists in the average child from any social origin beginning his adult life with an equal chance of success relative to that of a child from another stratum. While maintaining that all children should have an equal start in the race for the rewards of life, this view does not imply equality of outcomes. Differences in ability, effort, luck, and preference will create differences in the outcomes among individuals, but the common school, it is argued, should assure that representative individuals born into any social class would have the same opportunity to achieve educational status as persons born into other social classes.[6]

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[4] Arvid J. Burke, James A. Kelly, and Walter I. Garms, "Education Programs for the Culturally Deprived," in *Planning to Finance Education*, pp. 79–99.

[5] See articles in NEFP, Vol. 3.

[6] Henry Levin, "The Human Capital Approach to Financing Equality of Educational Opportunity," August 20, 1971, preliminary.

James S. Coleman[7] has suggested that the recent shift in emphasis from input to output was one of the results of the 1954 Supreme Court decision outlawing "separate but equal" schools. This decision rested in large part on the proposition that separate was not equal in terms of the results or outcomes of the educational process.

There are, however, a number of problems associated with a measure of need based upon achievement which must be dealt with if the approach is to serve as a basis for differential allocation of resources. These problems concern the complexities of measuring achievement, the incentive effects, and the contribution of formal education to achievement.

One aspect of the measurement problem concerns when achievement is to be gauged. Should achievement be determined by a set of test scores or by the successes of students after they have completed their schooling? Further, what are the relevant dimensions of student performance? Schools concentrate on a wide range of skills and attitudes, as well as cognitive understandings. Thus, achievement measures to fully cover the school's program should include a variety of ability dimensions (verbal ability, abstract reasoning, space conceptualization, and others) plus a range of attitudinal measures (self-confidence, belief in one's ability to control one's future, and other affective dimensions). Others argue that the crucial area of needs is basic skills and measurement should be concentrated in this area. At present there is no clear-cut agreement among experts on the dimensions of achievement that could and should be included in an index of "needs."

Achievement tests, themselves, have been strongly criticized on a number of grounds. The objection most often raised is that standardized tests overly emphasize some outcomes of the education process at the expense of others.[8] The fear is that some highly desirable outcomes (abstract reasoning, creativity, curiosity, and others), not measurable by standardized tests, will be ignored in the schools.

Another criticism is that achievement tests are not always in tune with the educational objectives of schools. Standardized tests, it is argued, ignore differences between schools and classrooms in the instructional objectives and subject matters offered. It has been recently suggested that another type of evaluation instrument—the criterion-referenced test—be employed for measuring achievement because it is directly related to the goals and subject matter of school courses. However, "mastery tests," as they are sometimes called, have not yet been designed which provide a basis for comparing the relative performance of students. The learner either "passes" a task or he does not; counting the number of "passes" a student makes does not yield a meaningful measure of his relative achievement.[9]

Other criticisms of achievement tests focus on their bias and validity. It is often stated that standardized tests reflect white, middle-class goals and experience—thereby leading to gross misinterpretation of the abilities of cultural and ethnic minorities. Further, achievement tests have been repeatedly criticized for failing to measure what they are purported to measure. This weakness is demonstrated when two tests designed to measure the same thing are poorly correlated. And finally, the significance of grade and age level equivalent scores calculated from standardized tests has been strongly challenged.[10]

Another difficulty associated with the use of achievement scores as a basis for differential allocation of funds concerns their incentive effects. The argument is that since more funds are received for low-achievement students, a district would find itself with an incentive to report as many low-achievement students as possible, an undesirable practice. One means of offsetting this incentive involves the allocation of additional resources for exceptional gains made in achievement (this approach will be discussed later in this paper). Another procedure for avoiding the negative incentive involves granting aid on the basis of predicted, rather than actual, number of low-achievement pupils. The high predictive power for achievement measures of a small number of easily collectable socio-economic variables justifies this approach, according to its advocates.[11]

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[7] James S. Coleman, "The Concept of Equality of Educational Opportunity," *Harvard Education Review*, Winter, 1968.

[8] See, for example, the testimony of Philip Kearney in Senate Hearings, Select Committee on Equal Educational Opportunity, 92nd Congress, Part 19A, "Equal Educational Opportunity in Michigan," Nov., 1971, p. 9485.

[9] The Rand Corporation, *How Effective is Schooling, A Critical Review and Synthesis of Research Findings*, Submitted to the President's Commission on School Finance, Dec. 1971, pp. 27–28.

[10] Cronback, L. J., *Essentials of Psychological Testing*, Harper and Row, 1970.

Finally, a major issue highlighted by the output concept of educational need is the school's effectiveness in increasing student achievement. Both approaches assume that additional resources invested in formal schooling will raise achievement levels but it is especially crucial to the output approach. The validity of this premise, however, has not been verified.

The Rand Corporation[12] recently completed a study to assess the current state of knowledge regarding the determinants of educational effectiveness. They analyzed the internal validity and credibility (inter-study consistency) of five identifiable approaches used in educational research to relate educational variables to student outcomes: the input-output, the process, the organizational, the evaluation, and the experiential approaches. Their conclusions are not particularly optimistic regarding school effectiveness:

"Research has not identified a variant of the existing system that consistently related to students' educational outcomes.

"Research tentatively suggests that improvement in student outcomes, cognitive and non-cognitive, *may* require sweeping changes in the organization, structure, and conduct of educational experience."[13]

The report emphasizes that these conclusions do *not* mean nothing "works." Rather, research, thus far, has found nothing that "consistently and unambiguously" makes a difference in student outcomes.

There is, however, considerable evidence pointing to non-school factors (the home, and community environment) as the critical determinants of educational achievement.[14] These findings suggest that our concept of education should be broadened to include within the rubric, "per pupil expenditures," investments in a child's future which occur outside the school. Indeed, there is a growing body of literature focusing on the concept of "capital embodiment," a term which refers to all inputs (medical care, dental care, nutrition, school instruction, physical environment, and family interaction) which contribute to the development of a person's productive capacities.[15] From this perspective, outcomes are still measured in terms of educational achievement, but alternative programs in addition to formal instruction, such as medical care, are considered as relevant to raising performance. The criterion for choice among additional instructional inputs, additional nutrients, additional books or objects in the home, or additional medical care is "cost effectiveness."[16]

This brief review has suggested some of the difficulties and research needs associated with an achievement concept of educational need. If applied in a distribution formula, the output measure would allocate greater resources to students, districts, and states with relatively low-achieving students. Central cities and rural areas would benefit more than the suburbs and independent cities from an output measure of need. Also, an achievement index would direct additional funds to ethnic minorities—particularly to Black and Mexican-American children.

In sum, the output conception of educational needs is based on the premise that equality of opportunity is meaningless without reference to the outcomes of a child's educational experience. In these terms, responsibility rests with the community to provide equal opportunity among social, cultural, and economic subgroups.

Conclusion

The output concept of educational need is grounded in the belief that every child should have the opportunity to fully realize his innate potentiality. We prefer this view to the other which conceives of educational opportunity as exposure to a "standard" school curriculum.

Nevertheless, the reality is that we do not yet know how schools can overcome the negative effects of underprivileged community and home environments. Our knowledge of the determinants of intellectual and emotional growth is incomplete. We have clues pointing to certain factors, such as teacher verbal ability, but we have not yet isolated the atomic qualities of teachers which are directly responsible for cognitive growth. As a consequence, we are unable to specify how many additional school dollars are required to raise a student's achievement score a given number of points.

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[11] Walter I. Garms, "An Approach to the Measurement of Educational Need", study for the New York State Commission on the Quality, Cost, and Financing of Elementary and Secondary Education, August 1971.

[12] Rand, *op. cit.*

[13] *Ibid.*, p. 8.

[14] For example, James S. Coleman, et al. *Equality of Educational Opportunity*, (Washington, United States Government Printing Office, 1966).

[15] Levin, *op. cit.*; for a bibliography, see Theordor W. Schultz, "The Human Capital Approach to Education" in NEFP, Vo. 2, *Economic Factors Affecting the Financing of Education*, p. 55.

[16] Rand, *op. cit.* p. xiii.

It is becoming clear, though, that our investment in educational opportunity should include funds directed to improving the nutrition, the medical and dental care, and the physical environment of low-achieving students. These factors and family interaction should receive intensive study by social scientists to extend our knowledge of the determinants of school achievement.

Fiscal Characteristics of Education Jurisdictions

This section examines justifications for differential allocation of education funds which focus on the fiscal characteristics of education jurisdictions. The unit of analysis is not individual students or groups of students, but the legally defined jurisdiction of school systems. The basis for analysis is the observation that education districts (local and state) differ in their economic characteristics. These characteristics may influence the ability of a jurisdiction to provide public services. Thus, the conclusion: jurisdictions beset with disadvantageous economic conditions should receive compensating support from the larger, encompassing tax districts. Ultimately, these justifications rest on equity principles; that is, a child's educational opportunity should not be determined by the wealth or economic characteristics of the school district (or State) in which he, innocently, resides.

We will look at three frequently cited economic justifications for differential distribution of funds: they focus on fiscal capacity, resource costs, and municipal overburden.

The discussion of fiscal capacity is prime material for the discussions of equalization. It is included in a discussion of differential funding for two reasons: 1) to the extent that there is controversy over equitable criteria for equalization, differential funding effects occur with alternative formulations and 2) the discussion provides a basis for understanding other material especially the alternatives for local enrichment in the last section and municipal overburden in this section.*

Fiscal Capacity

There is abundant documentation that, at present, the level of per pupil expenditure in a public school district is closely correlated with the level of per pupil property value in the district.[17] Further, statistical studies also demonstrate a significant relationship between family income and the level of school services provided the children.[18]

These relationships result from the simple observation that with a given tax rate, districts with greater wealth will raise greater revenues than districts with lesser wealth. Consequently, to equalize revenues, poor districts must tax themselves at a higher rate than wealthy districts. Studies show that poor districts do in fact have (on average) a higher school tax rate than rich districts, but the disparity in wealth overwhelms the additional efforts, thus maintaining the relationship between wealth and school expenditures.

Consequently, it is frequently suggested that the wealth, or fiscal capacity, of a school jurisdiction would serve as a basis for differential allocation of education funds. There is not, however, clear-cut agreement among economists and others on a definition of fiscal capacity and a number of measures have been proposed. As we shall see later, the distribution of grant funds among subunits will be significantly affected by the index of fiscal capacity used. In general, however, fiscal capacity is a quantitative measure of the resources which a taxing jurisdiction can tax to raise revenue for public purposes.[19]

Traditional Measures

The fiscal capacity of a school district has been most frequently measured in terms of the full value of taxable property per pupil in average daily attendance. This measure is justified on the grounds that property taxation provides virtually all locally raised revenues for education. In addition, studies have shown a rough correlation between relative levels of property value and relative levels of average income in school districts.[20] Furthermore, the availability of property value data at the local level favors this measure over an income measure—for which current data is much less easily obtained.

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*Subsequent drafts will revise the discussion to highlight these perspectives and make it more relevant to a situation in which the State-Federal level is the source of over 90% of the educational funds, i.e., minimal local enrichment.

[17] See, for example, James Guthrie, et. al, *Schools and Inequality*, The Urban Coalition, 1969; Charles S. Benson, *The Economics of Public Education*, Houghton Mifflin Company, 1968.

[18] See studies named above.

[19] Advisory Commission on Intergovernmental Relations, *Measures of State and Local Fiscal Capacity and Tax Effort*, Washington, D.C.; ACIR, 1962, p. 3.

Critics of the property value measure of fiscal capacity suggest that it is an inequitable measure of ability to pay in that it ignores current income—from which the taxes must (in most cases) be paid. The critics concede that the value of the family residence may have served as a fairly good proxy for ability to pay taxes in a rural society, but argue that total household income is a more precise measure of taxable capacity in modern urban society.[21] For example, at a given level of effort, the actual burden of property taxation on city dwellers, where property values per pupil are higher than in the suburbs, is greater than the burden on suburbanites because, on the average, income levels are lower in the city than in the suburbs.[22] The popularity of the income yardstick has been revealed in a study of federal grant programs which employ fiscal capacity measures for a portion of state aid. It was found that all the federal programs used measures of personal income to provide for the equalization grant.[23] Income is not frequently used as an index of *local* fiscal capacity, however, because the required data are usually not available at frequent intervals.

Before examining recent formulations of the capacity concept, a closer look at the denominators of the income and property value indexes is in order. Both measures can be expressed in either per capita or per pupil terms. Berke, Campbell, and Goettel [24] argue strenuously that per capita measurement is the only meaningful way to evaluate the ability of a subunit to provide public services. These researchers suggest that per pupil expressions discriminate against urban areas (in allocation formulas) and reflect the traditional, unrealistic, dichotomy between educational and municipal finance. This discrimination against the central city, relative to the suburbs (if equalization funds were allocated on a property value per pupil basis), results from the joint effect of 1) high concentration of commercial and, to a lesser degree, industrial property in the city, 2) higher percentage of non-public school enrollment in urban places, and 3) a higher rate in the city of out migration of households with children in the school age group.[25] The prejudice is exacerbated if per pupil in *average daily attendance* is the denominator since central city schools have a lower attendance rate than the suburbs.[26] Berke, et al, go on to cite the study, mentioned above, of federal aid in which it was found that all the programs used per capita measures for equalization. The main reason why per capita fiscal measures are not used in New York, they suggest, is the problem of non-coterminality of school districts and general government jurisdictions. This difficulty can be overcome, according to Callahan and Campbell, who argue that there are methods of accurately estimating the total population of school districts.[27]

The form of an income or property value index is not an insignificant matter. As we shall see later, alternative measures of fiscal capacity will yield important variances in the distribution of aid among districts and states.

New Approaches

The major criticism of the simple income and property value indexes has been that they ignore human behavior in the calculation of fiscal capacity. In the past ten years, attempts have been made to relate the economic characteristics of fiscal capacity (income and property value) to the willingness of tax payers to provide funds for public services. In the words of Brazer, et al,

"Of concern, rather, is the amount of revenue that the jurisdiction may be expected to raise, given its relevant fiscal and economic characteristics, if it behaves with respect to these characteristics in a manner given by a 'norm' such as the average behavior of like jurisdictions. Fiscal capacity then is defined as the revenue that would be expected to be raised by governments within an area such as a county, municipality, or school district, given the value in that area of those variables that can be shown to determine revenue collections." [28] Thus, the problem, in these terms, is to find appropriate weights for income and property value.

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[20] The Policy Institute of the Syracuse University Research Corporation, *Revising School Finance in New York State*, Final report to the New York State Commission on the Quality, Cost, and Financing of Elementary and Secondary Education, Aug. 1971, II–20.

[21] ACIR, *op. cit.*

[22] The Urban Institute, Public School Finance: *Present Disparities and Fiscal Alternatives*, Vol. I, prepared for President's Commission on School Finance, January, 1972, p. 60

[23] SURC, *op. cit.*, p. II–21.

[24] *Ibid.*, p. II–19.

[25] Urban Institute, *op. cit.*, p. 55.

[26] SURC, *op. cit.*, pp. II–12–13.

[27] John J. Callahan and Alan K. Campbell, *Redirecting State Education Law*, prepared for the Joint Legislative Committee to Revise and Simplify the Education Law, Aug., 1969.

Several methods for determining these weights have been presented. The Advisory Commission on Intergovernmental Relations has used the average effective rates for the 15 most commonly employed state and local taxes. These rates are then multiplied by the estimated appropriate tax base in a jurisdiction to determine that unit's fiscal capacity.[29]

Brazer, et al, contend that the ACIR method has two major shortcomings. First the weights are inappropriate in that they reflect historical tax rates, which, for local and state levels, assign minor importance to personal income as an element of fiscal capacity, while giving heavy weight to property value. The second weakness, suggested in the Brazer study, is that the ACIR studies neglect the impact of the *kind* of property in a district on its fiscal capacity. Their argument, by way of example, is that in a district in which half the property value is residential and half industrial, the residents have to tax themselves only fifty cents to raise a dollar, while the residents of an all residential district would have to tax themselves for the full dollar. They suggest that this "price" effect is a function of the proportion of different kinds of property in a district: residential, industrial, commercial, multiple-family residential, resort, forest, farm and other kinds of taxable real property.[30]

The methodology employed by Brazer, et al, in their analysis, is ordinary least squares multiple regression analysis. They estimated the parameters representing average taxpayer behavior for 104 school districts in New York State by regressing total per capita local revenue over median family income and the proportions of property value in the various property classes. By applying the obtained regression coefficients to the actual values of the independent variables in each of the districts, the researchers arrived at an estimate of total local fiscal capacity. Local fiscal capacity *available for elementary and secondary public education* is then obtained by subtracting the amount of revenues "needed" in each district for non-education public services from total fiscal capacity. The needs of districts for non-education services were obtained in a manner similar to that used to estimate fiscal capacity. Here, the parameters of regression equations (relating levels of expenditures per capita for various local public services to levels of various socio-economic variables and fiscal capacity) were applied to the actual values of the socio-economic variables in the districts (while controlling for fiscal capacity) to obtain expected needs for the services in each district. Thus, the difference between total local fiscal capacity (expected per capita revenue) and non-education needs (expected per capita expenditures) is that amount of fiscal capacity available for public education.[31]

We have gone into the Brazer, et al, methodology in detail because it represents one of the most sophisticated approaches to the determination of fiscal capacity now available. The researchers argue this approach yields estimates of fiscal capacity that are "neither arbitrary nor prescriptive." [32] They emphasize, however, that these estimates should not be regarded as more than "indicators of relative orders of magnitude." [33] Nevertheless, our interest is not in assessing the absolute fiscal capacity of school jurisdictions, but in measuring the relative capacities of those jurisdictions for the purpose of differential allocation of funds. We believe the economic-behavioral approach is a significant advance toward this end.

Implications of the Traditional Measures of Fiscal Capacity for Allocation of Funds

We turn now to look at two studies which demonstrate how different indexes of fiscal capacity would yield different resource allocations among districts and states.

The first study, conducted by the Policy Institute of the Syracuse University Research Corporation,[34] compares indexes derived from full value taxable property per capita and personal income per capita for 12 regions in New York State. They found that 4 of the 12 regions have "marked shifts in capacity" when personal income rather than full value taxable property is used. For example, the index for Rockland-Westchester increased by 10 points from 130 to 140 using personal income per capita while the index for Long Island decreased by 15 points from 126 to 111. Clearly, these shifts demonstrate that the measure of fiscal capacity does make a difference.

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[28] Harvey E. Brazer, John S. Akin, Gerald E. Auten, Cynthia S. Cross, *Fiscal Needs and Resources: A Report to the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education*, draft, November, 1971, p. 4–2.

[29] ACIR, *op. cit.*

[30] Brazer, et. al, *op. cit.* 4–11 to 4–14.

[31] *Ibid.*, Chapt. 4–6.

[32] *Ibid.*, 4–8.

[33] *Ibid.*, 6–4.

[34] SURC, *op. cit.* IV–36.

The other study, prepared by The Urban Institute for the President's Commission on School Finance, focuses on school districts in eight states (however, fewer states were used in some parts of the analysis due to data deficiencies). The findings of interest are quoted in full:

"In general . . . average per capita income in suburban districts is above that of central cities. This means that if state funds were distributed on the basis of fiscal need as measured by per capita income, central cities would have an advantage over suburbs. However, if per *pupil* income is used as the measure of ability to pay, the central cities lose this advantage.

"Differences in per capita and per pupil income between central cities and suburbs are due to two factors: demographic characteristics and non-public school enrollment. Households with children in the school age group, particularly white households, have been migrating from the central cities to the suburbs, with the result that children are a smaller fraction of the total population in central cities than they are in the suburbs. In addition, in states where non-public school enrollment data were available by school district, central cities were found to have a much higher proportion of non-public school enrollment than their suburbs. Rural areas would be the major beneficiaries of any allocation formula utilizing a per pupil income measure, since per pupil income is less than half the central city or suburban average.

"A comparison of per capita income and per pupil wealth indicates a dramatic difference between income and property wealth, particularly if viewed in terms of criteria for measuring 'ability to pay.' As noted above, average per capita income in suburbs is generally above the central city average. However, property values are substantially higher in central cities. Although per pupil income in rural areas, as noted above, is less than half that of the suburbs, per pupil property values are only 27.1 percent lower. Rural districts would therefore benefit from an allocation formula based on any of the fiscal measures discussed in this section, but these districts would clearly receive the most funds if per pupil income were used as the distribution criterion.

"In the case of smaller cities, all four of the fiscal criteria approximate the state average. Thus, in these districts, it makes little difference which fiscal measure is considered as the basis upon which state aid is distributed."[35]

It is probably safe to say that similar differences, perhaps of lesser magnitude, would be found if comparisons were made between states. Further research is needed in this connection.

In conclusion, it is clear that the measure of fiscal capacity selected will significantly influence the distribution of education funds. Income per capita appears to be the most widely supported index of capacity. It roughly correlates with property value while accounting for the reduction in current income produced by the property tax. The basic arguments appear to hinge on the value judgment that cities should be favored in any distribution formula rather than "empirical evidence." However, if income per pupil were used, the arguments for using ADM rather than ADA appears very strong. When the question of fiscal capacity is shifted towards behavioral considerations (which are enmeshed in questions of local enrichment) from a simple accounting approach, additional research along the lines laid down in the Brazer study is required.

Cost Differentials

A quite persuasive justification for differential allocation of education funds stems from observed differences in the cost of purchased inputs across the nation. Simply stated, $1,000 will buy more chalk, desks, and teacher time in some parts of the country than in others. As a rule, costs are higher in urban areas than in rural areas—particularly the cost of teachers which comprises 50% to 70% of school district budgets.

A preliminary analysis by the Urban Institute revealed that 70% of the total per pupil instructional cost differential between New York State and North

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[35] Urban Institute, *op. cit.*, pp. 60–66.

Carolina could, most likely, be attributed to salary differences between the two states. The balance of the difference was explained by two factors: pupil-teacher ratios and advanced degrees. The analysis proceeded on the assumption, based on data from other states, that average teacher experience varies little between North Carolina and New York. By this measure, educational expenditures would only have to be increased in North Carolina by only 30 percent of the difference to equalize inputs in North Carolina and New York (assuming constant salary levels). However, the report pointed out the need for further research to determine if there are differences in the supply and demand relationships for teachers in the states.[36]

The cost of land for school sites provides another example of the variance in purchasing power between school districts. A recent study in Michigan discovered that in 1967 Detroit school district paid in excess of $100,000 per acre of school sites while the comparable figure for surrounding suburban districts was approximately $6,000.[37] The lack of open land places central cities at a disadvantage vis-a-vis the suburbs and country. However, innovative approaches such as using the air space over highways can cut the cost of suburban sites.

Finally, there are a number of substantial school costs unique to densely populated areas. For the Los Angeles City Schools these costs in 1967 included: insurance and security agents to protect students, employees, and property ($450,171), additional administrative, professional, and clerical costs incurred because of high transiency ($1,127,062), truancy and child welfare services ($1,680,962), rubbish disposal because smog control regulations prohibit burning ($544,213), and an urban affairs office (159,086).[38] Rural areas, on the other hand, usually incur high per pupil transportation costs—though this variance may be offset by non-union labor and other lower costs.

Ideally, a cost of education index is required which is similar to the Bureau of Labor Statistics' cost of living index, to equalize the real income districts (or States) receive as aid. Further, sub-indexes composed of appropriate factors might be needed to adjust categorical aid: for example, a sub-index for aid to vocational education programs could take into account the unique character of inputs in that field. Development and calculation of the cost of educational inputs index could be performed by the Bureau of Labor Statistics. They have well-tested conceptual designs and sampling procedures; but additional manpower would be needed to collect data for local as well as regional and national comparisons.

One surrogate for a fully developed cost index is teacher salaries. Since the salaries of instructional staff comprise such a large portion of total school costs, they provide a reasonably precise index of the variance in input costs between localities for the purpose of research on the needs for differential allocation of education funds. The primary criticism of the salary index as an operational measure is that it provides an incentive for unions to demand wage increases.

A subsantial difficulty in developing a cost of educational inputs index concerns assessment of teacher quality. It is conceivable that despite the existence of low teacher salaries in one area, a high cost region is receiving more "teaching ability" *per dollar*. Teacher quality variances could result, for example, from differences in the quality of teacher training available in two regions. We can only speculate about these quality differences, however, until our knowledge of the relationship between teacher characteristics and educational achievement is greatly expanded. It is probably not too far fetched to suggest that we have no idea what we are paying for when we purchase the services of a teacher.

In summary, there is substantial evidence that a dollar in aid will buy more school inputs in some areas than in others. Unfortunately, to date, there have been no large scale efforts to quantify these differences and apply them in federal and state aid formulas.

Municipal Overburden

Municipal overburden is defined as the additional taxes required to support the additional services needed in densely populated areas.

It has been suggested that because elementary and secondary education must compete with costly municipal services such as police and fire protection, recreation, sanitation and so forth for the taxpayer's dollars, there will be a reduction in the willingness and ability of the city dweller to support public education.

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[36] *Ibid.*, 104–114.
[37] Guthrie, et. al., *op. cit.* p. 208.
[38] Benson, *op. cit.*, pp. 323–326.

Early attempts to verify this relationship demonstrated that urban districts have lower tax rates than suburban districts for schools, while the overall tax rate (including municipal services) for the urban districts is higher than that for the suburbs.[39]

However, more recent work [40] suggests that the simple fact of higher per capita expenditure levels (or greater effort) in central cities than in the suburbs for functions other than education does not in itself establish the existence in a causative role of municipal overburden. The argument is that those costs of public service that represent a part of the price that people voluntarily choose to pay for the amenities associated with life in the city should not be included under the heading of municipal overburden. Thus it is not clear that the man who pays much more for police and fire protection because he chooses to live in a densely populated city is worse off and less willing to pay school taxes than the man who pays for his "police and fire protection"—the lack of crime and fires due to the sparsity of the area in which he lives—by spending both time and money to commute back and forth to the city each day. As Brazer, et al, argue, "if we are to recognize the competition of these services for the income of the taxpayer in the city, we ought then also to acknowledge the fact that such expenditures as the suburban dweller is required to incur for commuting and other costs associated specifically with life in the suburbs, expenditures not incurred by the resident of the central city, must also reduce the willingness and ability of the suburbanite to support public education." [41]

The municipal overburden theory has been tested in New York [42] in the form of an expectation that, other things equal (e.g., fiscal capacity), we should find a negative relationship between per capita expenditures for education and per capita expenditures for non-school functions. The analysis failed to reveal the hypothesized negative relationship. In fact, under certain modes of analysis, the relationship was found to be significantly positive. This result, of course, undermines the municipal overburden hypothesis. Additional research should be undertaken to verify these findings for other samples and in other states.

The implication of these findings for differential allocation of school resources is that municipal overburden is not a valid justification. Nevertheless, municipal overburden may exist insofar as the assumption that the inhabitants of cities freely choose to live there is false. Low-income minorities, for example, are effectively locked-out of the suburbs despite whatever wishes they might have. Consequently, these groups are "forced" to bear the costs of public services, the benefits of which are either shared by suburbanites, or the costs of which are properly the responsibility of the region or larger geographic area.

At this time the weight of the evidence does not appear to support the municipal overburden hypothesis. However, the discrimination argument has sufficient face validity to warrant further testing.

Differential Allocations of Funds as an Incentive for Desired Behavior

Besides responding to disparities in educational need and fiscal capacity, differential allocation of education funds can be utilized as an incentive to desired behavior. This section looks at three frequently mentioned goals which purportedly are served by differential allocation of education funds: support of innovative activities, local incentives to increase educational services, and performance incentives.

Support of Innovative Activities

The desirability of innovation in educational programs is spoken and echoed in school districts across the nation.[43] In less dramatic tones, though perhaps more revolutionary, education researchers suggest the necessity for radical changes in structure, organization and conduct if the public schools are to meet the educational needs of the children of the poor and discriminated against.[44] At a more impressionistic level, there is a large paperback literature challenging the fundamental purposes of education as it is now constituted—"de-schooling society" is the theme of one group favoring transformation.[15]

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[39] Guthrie, et. al., *op. cit.* pp. 188–193.

[40] Brazer, et. al., *op. cit.*, pp. 6–8 to 6–11.

[41] *Ibid.*, p. 6–11.

[42] *Ibid.*, p. 6–9.

[43] See, for example, the Fourth Annual Report of the President's National Advisory Council on Supplementary Centers and Services, *ESEA—Title III, Time for a Progress Report*, March, 1972.

[44] Rand, *op. cit.*, p. x.

Title III of the Elementary and Secondary Education Act of 1965 was passed by Congress in response to demand for reform. During the first three years of Title III, projects were selected by the United States Office of Education from proposals received from districts throughout the nation.

Since fiscal year 1969, however, State Departments of Education have been responsible for the selection, operation, and evaluation of projects (though the OE still retains 15% of the total project funds). In seven years nearly one billion dollars has been invested in local and regional projects designed to test and demonstrate innovative program practices. Nearly all the projects were "innovative" within bureaucratic constraints; few, if any, were radical at the organizational and structural level which is consistent with the administrative structure of Title III.

Unfortunately, we have little reliable evidence on the extent of change in educational practice generated by Title III. A sophisticated study of projects, continuation, and dissemination in Title III is urgently needed. Innovation is an admirable objective, but the question is the effectiveness of the Title III (competitive project grant) approach in fostering innovation. The Title III program approach is not the only approach and other, possibly more promising, approaches should be considered.

Without implying that Title III has not been successful in many respects, there are several constraints which inhibit full realization of the program's potential. The following views reflect impressions gained during an investigation of State Title III advisory councils[16] which involved interviews and discussions with Title III people from more than half the states in the union.

One problem inhibiting the testing and evaluation of significantly different educational practices is the precarious financial condition of many school districts (note: this condition may be the result of teacher union demands, rather than the effect of exogenous forces). In these straits, districts are motivated in their application for funds more by the desire to obtain additional resources than by the desire to carefully design, implement, and evaluate a potential solution to an educational problem. Since, in most cases, the level of funds for a project is not significantly relative to a district's total budget, it is very unlikely that actual substitution for local money is occurring. Nevertheless, many informants report that administrators are eager to supplement their budgets in any way possible and the potential income for a Title III project is worth the cost involved in writing a proposal.

The "monetary" motivation of many district leaders for submitting proposals does not directly imply that the proposed projects are poorly conceived. Rather it is hypothesized that the need for funds stifles creativity, limits the number of "wild" or "radical" projects that are proposed, and channels project ideas toward the safe and familiar. The existence of this effect is suggested by the number of informants who complained that many proposals were merely warmed-over imitations of projects which had achieved funding in other states. Further evidence is provided by the proliferation of proposals which outline projects involving the addition of manpower (aides, psychologists, social workers, peers, parents) with but little concern for goals or new methods.

Even if the above is true, State Departments could potentially weed out the weak sisters and fund only the truly well-designed, creative projects. However, the politics of education is such that really critical project selection which could result in putting all the funds in only two or three projects if there are no other worthwhile proposals is difficult, if not impossible in many states. The norm is to spread the funds around so that as many districts get a piece of the action as possible. This tendency by the State Departments of Education is further illustrated by the rarity of termination of a project before three-year funding is completed. In general, it needs a public disaster, e.g., accusations of racial prejudice, to cause a state department to prematurely end funding.

There are other constraints on Title III's chances of success. Often, a great variance exists between projects as described in proposals and the reality in the schools. While flexibility should be included in Title III, much of the variance in these cases can be traced to the process of proposal development. Too frequently, projects are designed and proposed without the involvement of the teachers and others who will be required to carry out the activities. It is hypothesized that the dichotomy between planning and action results, not infrequently, in 1) the failure of well-conceived innovative projects to be adequately implemented and fairly tested, and 2) less than optimal interest and motivation on the part of the implementers.

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[15] For example, John Holt, *How Children Learn*, 1966; Ivan Illich, *De-Schooling and Society*, 1971.

[16] William Ferry, *A Study of State ESEA Title III Advisory Councils*, President's National Advisory Councils on Supplementary Centers and Services, 1972.

The late entry of teachers in Title III projects can be traced, in part, to proposal requirements. The application forms for grants in many states require substantial details concerning personnel, budgeting, population characteristics, management procedures, and other aspects of the proposed project in addition to statements of goals, objectives (in behavioral terms), methods, and rationale. For the individual teacher, or a small group of teachers, the task of preparing a proposal is formidable and most projects are born in the central administration offices.

Finally, the fact that large school districts receive a disproportionate share of state Title III funds could be explainable by two factors: 1) large school districts are able to generate more good project ideas, and 2) they have the manpower to allocate to proposal writing. To the extent that the second factor is the major cause of the variance in funding between large and small districts, the large districts have an unfair advantage. The additional funds for innovation should go, not to the districts with the slickest proposal writers, but to those with the most promising solutions to educational problems.

Effective stimulants for innovation are badly needed in the educational system. Differential funding for innovative projects is one route to providing such stimulants, but the review of some of the difficulties of Title III discloses many problems with the project approach. Other approaches are possible such as the educational renewal centers or the generation of add-on funds for local enrichments and mixed strategies are probably appropriate, but there is little hard information on which to base decisions. The analysis of the distributive, incentive, and efficiency characteristics of the project approach and its alternatives are a crucial area for future educational research.

Local Incentives to Increase Educational Services

The residents of a community or state make decisions concerning how their total resources will be utilized during a given period of time. By voting in the marketplace (spending dollars) and at the polls, the community determines what share of its wealth will go to consumer goods, to recreation, health, safety, transportation and other goods and services, and, of special concern here, educational services. The distribution of resources among the various goods and services by a community reflects the residents' perceptions of their relative costs and benefits. The state has an interest in ensuring that a minimum base level of educational services is provided in every community. However, above the level both allocative efficiency and maximal community satisfaction could flow from expenditure decisions at the local level—if the funding basis is equitable to all districts.

Educational funds can be distributed to districts as an incentive to increasing the share of wealth devoted to education. Such an incentive works to reduce the cost to a community of additional education, thereby making the education cost/benefit ratio more attractive relative to that for other productive activities. For example, if an additional unit of education costs two dollars, and an incentive grant of one dollar is offered for every additional dollar raised locally, the effective cost to the community of the additional unit of education is only one dollar—half the cost of additional education before the incentive.

Distribution of funds as an incentive for greater investment in education is based on the premise that either one or both of two conditions prevail: 1) the residents of the local district underestimate (out of ignorance, perhaps) the benefits to be gained from additional education; or 2) the residents of the state or nation feel that additional investment in education by the local districts will produce relatively large benefits for the state and nation.

A workable incentive grant program requires a means of measuring the importance of education relative to other goods and services in a community. This measure is needed in order to determine when increases in investment in education occur and their magnitude. Public school tax effort and level of expenditure per pupil, in themselves, are not useful indicators because they ignore the level of resources available in the community for all purposes. Research is needed to develop indexes which relate educational expenditures to total resources available in communities.

Given such an index, the most equitable approach to incentive funding would involve flat grants for stipulated percentage increases in the proportion of community resources devoted to education. Matching grants, in contrast, would discriminate against relatively poor districts because the absolute size of the increase in educational expenditure would be much larger in a rich district for an equivalent percentage shift in funds than in a poor district.

A different type of incentive for additional investment in education is contained in the "power equalizing" plan developed by Coons, Clune, and Sugarman [47] to equalize the property wealth behind each school child in a state. This approach provides an incentive to the poor districts in a state in that it guarantees a stipulated level of expenditure per pupil at a given level of tax effort in a school district. Districts which cannot raise the predetermined amount of revenue per pupil at a given effort level would receive a supplement from the state equal to the difference between the standard expenditure level and the amount raised locally. This plan, contains a disincentive to wealthy districts to make extra effort insofar as they are required to turn excess revenues (the amount above the stipulated per pupil expenditure for a given level of effort) over to the state fund for distribution to poor districts.

Local incentives for funding enrichment and innovative efforts are complementary to the project grant (Title III) approach. As suggested in the previous section, this approach needs to be studied in the context of other alternatives to stipulate superior local programs rather than as an isolated option.

Performance Incentives

In recent years there has been an upsurge in experimentation with allocation of education funds to those who can obtain exceptional student performance. With this approach, funding is dependent upon student achievement with respect to instructional objectives established prior to the start of program activities.

In Michigan, for example, $200 per pupil is allocated to local school districts for students performing below a stipulated achievement level (since the program is not fully funded, school districts with the greatest number in the target population are fully funded, in order, until the available funds are exhausted). If a district fails to achieve 75% of the performance objectives (determined through discussions between the district and state department) for the students during the year, funding is not continued the following year. Districts are free to use the money in whatever way they feel will be most effective in achieving the performance objectives. Since 1971–1972 is the first year of operation for the Michigan program, we do not yet have an indication of the outcomes.[48]

The Michigan program is an example of "internal" performance contracting. In contrast, in the last three years there have been a number of experiments involving the employment of private firms to design and implement educational programs. In "external" performance contracting, payment to the group providing the services is usually proportional to student achievement as measured by standarized tests or, less frequently, as measured by criterion referenced tests.

During the 1970–71 school year performance contracts were operating in more than 170 school districts.[49] To date, there is no evidence of dramatic achievement gains by students participating in programs run by profit-seeking corporations.[50] Overall, results have been mixed: in some programs, students exceeded the gains that would have been expected in the traditional classroom; in others, gains were less than the expected level. Studies of performance contracting are not altogether negative in their appraisal, however. They emphasize that start-up problems, the developmental nature of the programs, and the difficulties with standarized tests preclude evaluation of performance contracting at this time.[51]

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[47] John E. Coons, William H. Clune, and Stephen D. Sugarman, *Private Wealth and Public Education*, Cambridge: Harvard University Press, 1970.

[48] See "Equal Educational Opportunity in Michigan", Hearings before the Senate Select Committee on Equal Educational Opportunity, Part 19A, October 26, November 1, 2, 1971, pp. 9284–9286, 9495–9497.

[49] Thomas C. Thomas and Dorothy McKinney, and Paul Chapman (Appendix), "Accountability in Education", Research Memorandum, EPRC-6747-15, Stanford Research Institute, Menlo Park, California, January 1972, p. 72.

[50] The Rand Corporation, *Case Studies in Educational Performance Contracting*, Vol. 1–6, The Rand Corporation, December 1971; and see Battelle Memorial Institute report on the OEO performance contracting experiment which took place during 1970–1971, forthcoming.

[51] Rand, ibid, vol. 1, pp. v-ix.

The most fundamental criticism of performance contracting focuses on the concept of education which this administrative arrangement implies. Critics, such as Elliott Eisner,[52] stress that education should involve more than the transmission of accumulated facts, knowledge, and skills. Eisner and other schoolars, describe education in terms of students defining their own goals, planning and carrying out activities, and reassessing their goals in the light of experience. Under performance contracting, they charge, students are viewed as raw materials to be procesed, packaged, and passed along.

In addition to the philosophical debate over performance contracting, there are a number of practical problems involved in the measurement of achievement. To date, in most experiments, the focus has been on achievement in the areas of mathematics and reading. This emphasis ignores other important goals of the public schools (good citizens, self-confidence, social awareness); and it is feared that if accountability is carried to an extreme, schools will be concerned only with those outcomes which are readily measured.

Also, there are difficulties involved in using achievement test scores to measure the quality of the services provided by a contractor. Achievement tests are ill-suited to assessing the effect of short run (one year) instruction in that they do not always focus directly on the specific behaviors to which the instructional program was addressed.[53] "Criterion-referenced" or "mastery" tests are required to measure the extent to which a program succeeded in achieving its specific goals. However, we are still in the early stages of development of these program-related measurement instruments.

In sum, the allocation of funds to educators on the basis of obtained achievement gains evokes significant philosophical questions and technical problems. Careful evaluation of the performance contracting experiments now in progress and planned is essential.

One other type of performance incentive should be mentioned, incentives the state provides to encourage districts to voluntarily take some action which the state does not want to legislatively require. Two examples are incentives for school district unification and incentives for interdistrict utilization of specialized educational services.

Many states have such incentives for unification for one or more of three kinds of unification: first, consolidation of excessively small school districts; second, unification of elementary and secondary districts; and third, regional mergers of school districts. In California the incentive was, until this year, $20 extra state aid per pupil to a unified school district. New York State also has such incentives plus incentives for school districts to join Board of Cooperative Educational Services (BOCES). The BOCES are organizations designed to provide such specialized educational services such as vocational education, training for the handicapped, or data processing capabilities for groups of school districts.

Both unification and cooperative services have certain problems, but tend on the balance to be advantageous to the majority of schools. The purpose of the incentives is to "voluntarily" overcome the resistance of the minority who do not see it as advantageous. Since the performance, i.e., unification or cooperation, is highly visible, no performance measurement problems exist as they do in the academic achievement area.

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[52] Elliott Eisner, *Think With Me About Creativity*, 1964.

[53] Robert E. Stake, "Testing Hazards in Performance Contracting," *Phi Delta Kappa*, June 1971, pp. 583–589.

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STATEMENT OF DR. MICHAEL KIRST, STANFORD UNIVERSITY

Dr. KIRST. The first point that I wish to make, Congressman, is that a number of us now have been studying the problems of school financing and this committee has heard a lot about the problem. My objective this morning is to talk about some of the solutions and to lay out for the committee the pros and cons of the various possible solutions to the problems.

As you know, there is no perfect solution and each one has some attributes and some drawbacks. I thought it was imporant for the committee to get a view of the alternatives so they can consider them and evaluate them on the merits.

One thing I think is not equivocal, at least not in my mind, that is the need for a new Federal role in using Federal aid to get leverage or provide an incentive for improving State finance systems. In the past, we have ignored the underlying problems of the State finance systems and concentrated on Federal categorical assistance that merely supplements 7 percent of total State and local expenditures. Even now we hear the Nixon administration proposing to spend $300 more for disadvantaged pupils, but what if a low wealth district with many minority children taxes itself hard and raised $600, while the wealthy neighborhood raised $1,200. The $300 in additional Federal compensatory funds now results in closing the gap to $900 for the poor districts and $1,200 for the wealthy, yet some traditional commentators continue to say that the poor will get more spent on them because of Federal compensatory aid.

This is my major objection to Federal general aid that leaves an unequal and irrational State financing system undisturbed.

Indeed, large-scale Federal general aid would likely result in only propping up an outmoded financing system that should be scrapped. Consequently, I oppose H.R. 7796 and H.R. 2695. When I read these bills, Congressman, I looked in there for what the incentives or what the plans were to use this Federal money to reorient the State aid systems and to my distress I did not see anything. I think it is absolutely crucial that the money be used and be distributed to the States only after they have met certain standards for equity. That is my first general point as far as the plans in these bills.

My second general point is that my own studies have led me to deep understanding of the different traditions of the various States in this country and the fact that the States start from very different points with their financing systems. They are indeed going to make different choices about this finance reform.

Some of the States will want to go to full State assumption and some, I think, will not. We have studied the New England States extensively and they don't care for a lot of State control. I am proposing in this statement some options which would be alternatives to full State funding. I, myself, prefer full State funding, but I would like the States to be able to take their choice as long as they meet certain standards of equity.

My third point is, and a major point, is that you can set up general standards in the Federal aid legislation, but need not require all States to assume all aspects of financing education or to eliminate the property tax.

As you know, the plan the administration has asked the Advisory Commission on Intergovernmental Relations to study would force all the States to full State assumption and would end the use of residential property tax for education.

What I am saying is that under a plan I am proposing, the Federal Government would monitor expenditure disparities caused by differences in school district wealth rather than differences caused by local choice under the district power equalizing scheme I will discuss later. If the wealth disparities become too large, Federal general aid would be reduced or eliminated.

Such a scheme would permit the States to choose either full State assumption, which would force all of the school costs to be paid by the State and all revenue to be raised by the State, or district power equalizing, which allows local choice on the amount of tax rates and expenditures that the school districts choose to pay and still qualify for a maximum amount of Federal aid.

Now, that is the gist of the statement, Mr. Chairman, and in support of that I guess I would like to go back and start through on page 2 and talk about the two alternatives, district power equalizing and full State assumption, stressing and pointing out in the statement that each of these plans has its pros and cons. I think each alternative will appeal to different States and some will choose more of one and some more of the other. What I am saying is you can set up legislation that will allow States to do this and you would get out of the bind of having to force all States to provide full State assumption in order to receive Federal aid.

If you would like, I will proceed with a description of those two remedies.

Mr. Pucinski. Yes.

Dr. Kirst. There are two primary routes the States can use to conform to recent court decisions and remedy the major problem a prior subcommittee witness stressed. These are major problems of inequity and rationality, inelasticity and insolvency of the present State and local educational finance systems.

The most complex alternative is something called "district power equalizing" and the other is labeled "full State assumption." These two plans have different assumptions of what is best for our citizens. They involve, it seems to me, different value judgments that would be appealing, as I said, to one State more than the other. Some States will be more comfortable with the full State assumption and others, I think, will prefer some element of district power equalizing. Let me review the plans briefly and in their pure form and evaluate them.

District power equalizing assures equal school revenues for equal local district tax efforts and also retains the local school district as the basic decisionmaking unit for determining the tax rates.

The State may provide expenditure and tax rate minimums and maximums, but the specific points within such boundaries are at the discretion of the local school boards and/or voters.

The typical district power equalizing proposal is premised upon retention of some amount of property tax.

The primary feature of a DPE plan is that the State guarantees a local district any expenditure per pupil it selects from a tax rate (per $100 of assessed valuation). Obviously, State funds must supplement the local tax base of poor school districts. For wealthy districts, revenues generated in excess of the scheduled per pupil expenditure level revert to the State. "Recaptured" funds are then free to be redistributed by the State to "poor districts." A schedule might look like the following:

Tax rate per $100 of assessed valuation:	*Guaranteed yield per pupil—regardless of local property base*
$2	$725
3	850
4	975
5	1,100
6	1,125

As you can see, a local school district would pick the tax rate it wants. This might vary. Some would want higher tax rates and some would want lower rates. They would get a guaranteed amount from the State no matter what that tax rate yields. Some low income suburbs outside of say Chicago, a $3 tax rate might bring only $600, not $850 which is the guaranteed State yield, but that district would get $850. A $3 tax rate in another suburb may bring in $1,225 and that district would only get $850. So this would let the districts choose the amount of tax rate they want, but it would equalize the yield they get from the State and it would make them all equal in the power to raise revenue.

Mr. Jennings. Dr. Kirst, as I understand the district power equalizing concept, as you pointed out regarding a wealthy suburb like Winnetka, what incentive would Winnetka have to increase its tax rate if it does not get dollar for dollar back from the State what is paid the State under the prescribed tax schedule?

Are there any examples in the country where power equalizing has been tried and any evidence showing that a wealthy school district will tax itself higher even though it does not get back the full amount it raises from that taxation?

Dr. Kirst. Let me answer it in two parts. One, it seems to me that people like the populace in Winnetka, Illinois, have a high value on education. I don't think they are likely to cut back their expenditures in education just because some of it is being redistributed to other districts. In other words, I can't see Winnetka choosing a school district expenditure rate of a very low amount just because some of it will be recaptured by the State. I think that the citizens there care probably more about preserving the fine school system they have rather than choosing a low tax rate in order to escape some redistribution of their taxation.

Now, as far as its working anywhere, Professor McLoone may be able to help. There are percentage equalizing schemes in some States and they have worked out this kind of problem, as I understand it, of wealthy districts not choosing high amounts.

Dr. McLoone. The best example would be the State of Utah where there is one school district that, if it levies the tax rate to qualify for the program, it sends approximately 25 percent of its revenue to the State which redistributes the revenue to other districts. Redistribution under power equalizing of the type we are talking about takes place.

Dr. Kirst. And the wealthy districts choose high tax rates?

Dr. McLoone. Yes. There only happens to be two.

The other kind of thing I think you have to keep in mind with a State like Maryland, regardless of what kind of scheme we have, Montgomery County will approximately pay $16 to the State even if we had full State funding at $10 per pupil, for instance, Montgomery County would pay $16 and get back $10 in terms of its pupils. So under any kind of scheme, the wealthy districts are putting up the money regardless.

I would not see any reason that power equalization should be different than the different kinds of schemes on State funding. The criticism, if it is valid, will apply just as well to the existing scheme, to 100 percent State support or power equalizing. It may be more obvious in power equalizing, but that is the only difference.

Dr. Kirst. Under full State assumption they pay money to other parts of the State as well.

Mr. Jennings. Another part of the problem, as I understand it, is that you just have one tax rate schedule which does not consider circumstances such as a large city where they pay a higher tax rate for other services so the city would have to increase its tax rate for education when it already had a high tax rate for other services.

Dr. Kirst. I quite agree. This is discussed later in the statement. This is, I think, a really serious drawback of district power equalizing, that it does not, or it bases the tax rates and wealth on school expenditures only. As I point out later in the statement, in the cities, as we know, the amounts spent on other services such as welfare, police, and fire departments, are much higher. So the cities may look like they have a lot of wealth and low tax rates when you just take the education out of their tax burden and don't consider other municipal service.

Yes; this brings us to the heart of the problem. There is no perfect solution, it seems to me. You are going to have some problems with anything anybody trots out in front of you or suggests. My basic feeling is that probably what has to be done is let the States sort out these kinds of considerations. Now, you could compensate, of course, for that city problem, in district power equalizing, which is very real, by increased compensatory funds on top of the basic State expenditure rate which district power equalizing would yield.

Mr. Jennings. That would not compensate for it, though, because you would still have a higher tax rate for education.

Dr. Kirst. In the city?

Mr. Jennings. Yes, so you would have the city increasing its education tax rate without a diminution in tax rates for other services, so you could give more money for the education of their children, through compensatory aid, but the people in the cities would still be paying more than before in property taxes for education and more than the suburbs in property taxes for other services.

Dr. Kirst. That is right. I think I personally prefer actual State assumption. If you go, however, to some States that do not have big cities, if you went up to, and I lived in the States of Vermont and New Hampshire, and those States are very antistate control—

The State of New Hampshire has funded its schools basically from the State Liquor Board and revenue from Rockingham Race Track and does not like State control or funding and does not have any big cities.

Now, the administration's draft that they asked Advisory Commission on Inter-governmental Relations to study would, in effect, force them to full State assumption. My view is those States will not want it and won't buy it and they have two votes in the Senate. We need a bill at the Federal level which is flexible enough to accommodate the variety and complexity and diversity of the States in this country. So I would, I guess, actually prefer full State assumption. On the other hand, I think we are getting ourselves into traps by saying there is only one solution and we can only permit one option.

Essentially, what I say is we should make sure that the States do not have wide disparities for educational expenditures based on wealth, and they can choose a plan to get them there.

There might be, I guess, intense lobbying at the State level to tend to these city problems. It may or may not be convincing to large city congressmen who look at State legislatures with some fear as to what the result will be for the city.

Under a full State assumption the State collects and distributes all money for financing public schools. There is no discretion for local school districts as to tax rates or amounts spent. Under an FSA plan, a decision must be reached as to what will serve as an "allocation unit" and how much money will be appropriated per such unit. Typically, Average Daily Attendance or Average Daily Enrollment are used but it is possible to use classrooms or teachers as allocation units. A price tag is then affixed to a unit that covers the costs for the schooling of every "normal" child (or classroom or teacher). Since we have no research or cost/effectiveness basis for determining this amount, the price depends on conventional education wisdom, economic reality, and political feasibility.

An alternative way to determine the grant level is to calculate the dollar price of raising the statewide per pupil expenditure rate to, for example, the level of the 60th, 70th, or 90th percentile of all such present expenditures in the State. The State would then "level up" each low wealth district to perhaps the 80th percentile.

Full State assumption is not tied to the property tax base as is district power equalizing. The standard FSA proposal envisions that property tax revenues be retained, at least in the short run, and that they should be supplemented with revenues from the State general fund. The property tax under FSA, however, can be more readily levied on a statewise basis since local option is featured in DPE.

That is a drawback of the district power equalizing scheme. It does tend to keep an element of incentive for property tax in the system, whereas in full State assumption, you can move entirely to other bases.

Let me compare the two plans then and put it somewhat in the framework of the proposal which the administration has now asked the Advisory Commission on Intergovernmental Relations to study.

As you notice, this administration proposal would raise $13 billion in revenue through a value added tax and distribute the proceeds to States for education reasons. On the one hand, the proposal is put on a new value added tax and raise $18 billion, give $5 billion back in income tax credit, and distribute $13 billion to the States for education. In order to receive this money, there would be two major conditions. First, no local property tax could be levied for financing schools;

second, statewide property tax could be levied only on business and not on residences for school support.

In other words, this proposal would eliminate the residential property tax as a element of suport for public schools. In effect, this would force full State assumption and preclude district power equalizing. It seems to me it is precisely this type of choice that makes it imperative to compare full State assumption and district power equalizing.

So what I am saying is that the draft that was sent to "ACIR" is a mandatory full State assumption bill and rules out district power equalizing.

Okay, let me talk about the two plans now that we have discussed the basic elements of them in the way of pros and cons of each one.

District power equalizing caters to the "libertarian" value stream which pervades the American policy, whereas FSA aligns itself with the widely shared "egalitarian" viewpoint. DPE requires and encourages local choice regarding school expenditure levels and tax rates and no doubt some localities will opt for minimal expenditures. This local control stress is seen as an intolerable weakness by egalitarians. Equalitarians point to the injustice of permitting a child's address to determine the amount spent on his schooling. Why should a child or household that values education intensely—as does a majority of the State—be subjected to school conditions established by his neighbors who want to hold down taxes and place little value upon schooling. In terms of operational issues, DPE adherents argue control always follows dollars. FSA will lead to State dominance of personnel and curriculum. Certainly, our big city districts dramatically demonstrate there is little to be gained from large size.

On the other hand, district power equalizing supports the view that local areas should have a choice, should have the option as to whether they want to apply high tax rates or not. District power equalizing, as I pointed out, permits no discretion on the amount of expenditures you receive for the tax rates that a local district chooses.

So one way to rebut the arguments of State dominance and control, which, as I say, is very strong in some States and not so strong in others, is through a district power equalizing system.

The FSA egalitarians assert they are also for local decisionmaking. They contend that once local citizens are absolved from the need to raise money and the time it takes to adequately finance the schools, local boards will be able to focus on important matters like personnel and curriculum. This would be instead of spending time on focusing on the raising of money.

Now, how to sort out this argument, nobody really knows. Will State control follow State assumption of school costs? You can get any kind of argument on that you want.

Will the districts or will full State assumption lead to more local control because you won't have to spend so much time at the local level with tax rates and bond issues? Nobody knows. There is no research and no "expert" can give you an answer. You sort of just have to take your choice.

Now, the second area it would be concerned with, not concerned but compared on is wealth and educational privilege. Professor Guthrie, University of California at Berkley, expresses this policy tradeoff in the following manner:

If high income districts consistently chose high expenditure levels from a DPE schedule and to the extent that school dollars make a difference, then district power equalizing might not, in fact, satisfy a fiscal neutrality principle. Indeed, it might serve to permit schools to continue to perpetuate social class distinctions. The analogy here might be to "freedom of choice" plans to achieve racial desegregation. There is nothing inherently bad about a freedom of choice plan; the problem simply is that they usually do not suffice to remedy the previous evil, racial segregation.

In effect, DPE could result in unfair "place discrimination" because it takes money to move, housing may not be available, and there may not be any jobs.

So the contention if you don't like your school district because they have chosen a low-tax rate, you can move, it may or may not be an easy way out. In effect, we say generally, the general view, in answer to your earlier question, which is the higher expenditure districts like Winnetka will probably choose the higher rates and choose to pay the higher tax. This might lead to perpetuating inequalities we have now, even though the inequalities in finance are not well fixed.

Further, to compare the state of education practice and goal setting, a number of recent reports have highlighted how little we know about what particular educational resources and techniques are effective. Moreover, education goals are inherently a value question—some people stress "good citizenship" others preparation for universities. Given this state of affairs, DPE seems to take a more reasonable approach by contending "We do not have precise knowledge so let individual choice have free reign to experiment." FSA has to be more precise about levels of spending because the amounts and allocation units are uniform statewide.

When you go to full State assumption, you have to come up with a magic figure like $1,000 per pupil and you have no basis in any research or knowledge we have to say $1,000, $1,200, or $900 would be the amount of money that should be spent in order to get certain kinds of schooling output.

So the full State assumption system, it seems to me, has a weakness there compared to the district power equalizing.

Moreover, full State assumption, by depriving high expenditure districts of their wealth advantage, might curtail experimentation and innovation. The lighthouse districts will be shackled by finance constraints of full State assumption. This is an argument made for district power equalizing I don't find very convincing.

On the other hand, Federal experience under ESEA title III indicates low-wealth districts have many creative ideas that can be demonstrated through the enhanced financial base of an FSA system.

In other words, lighthouse districts like Winnetka might exist because they are rich and wealthy and if you give adequate resources to low-income districts you might find just as much innovation there.

District power equalizing has appealed primarily to those who believe full State assumption will necessitate a level of State control that is politically unpopular. On the other hand, DPE as it has been proposed would encourage the continuation of the very unpopular local property tax for educational purposes. FSA offers the possibility for widespread property tax relief by relying primarily on traditional

State tax sources—sales and income. Moreover, DPE as we pointed out, cannot deal adequately with the higher levels and wider array of services needed in cities.

A big city, already supporting more services than its suburban neighbor from property tax revenues, would nevertheless have to tax itself an equal amount for equal school expenditures. In New York City, for example, the per capita cost of welfare and public safety was each over 2.5 times higher than the average in other school districts in the State.

A fourth basis for comparison of the two plans is property taxes and expenditure alternatives. District power equalizing, as we discussed, would not take this into consideration.

On the relief of the property tax, this is a very, very politically popular thing now to talk about relieving the property tax. The plan that ACIR is studying under the request of the administration would eliminate all residential property taxes. Generally, here, I think, before we run to this, we should carefully look at alternatives and pros and cons of this. There are three ways and more, but three principal ways that the property tax could be improved, and it could be improved to an extent that it would be very close in progressivity and administration to a value added tax.

The three ways it could be improved are uniform assessments so that equals are treated equally. This would solve the problems that Mr. Nader has been in the headlines about, the low assessments for certain business. Uniform statewide assessments have been tried in some other States and has greatly enhanced the problems of property tax administration and could alleviate a lot of concern we have now with the tax.

Secondly, when you analyze the property tax, you find that part of the property tax which falls on land is really quite progressive. The part that falls on structures that are on the land is regressive.

Now, one way of putting more progressivity in the property tax system is to have higher tax on land than on structures and, if you did, you could get the property tax close to the same proportional taxation level of value added tax.

The third proposal that could improve the property tax is a circuit breaker to relieve property tax burdens of the low-income people, or those who endure tax rates considerably above the statewide average. This kind of scheme is one where the State sees that nobody should be paying any more than 7 percent of their income in property tax, 7 percent, 10 percent, pick a number, and if your property tax bill is higher than say 10 percent of your income, the State rebates the difference back to you and breaks the circuit of taxation.

In short, before the Federal Government decides to eliminate residental and local property taxes as a condition for receipt of Federal aid, Congress needs the same kind of analytical trade-off discussion I presented on the expenditure side between district power equalizing and full State assumption.

Now, I would like to skip over to "Federal Aid in a State Context," but before that pointing out that a number of States may choose, and I think this is where California may come out, they may choose a mixture of these plans.

I have been proposing them in terms of an either-or situation and there is no reason that a State could not choose a very high State expenditure floor, accompanied by a statewide property tax, or elimination of property tax, but local districts add onto the statewide floor 10 to 15 percent of the basic State grant amount. Under this plan the district's ability to raise added revenues on top of the very high State floor would be power equalized. In this way we could combine the local discretion attributes of district power equalizing with the high degree of resource equality guaranteed by full State assumption.

In other words, another option under the plan is to combine the two and allow the district power equalizing to operate at the margin, say, that you can at any local district. We will say we allocate under a full State assumption plan $900 per pupil, local districts have the option then to add on up to a limit of say 10 to 15 percent above the $900, but when they tax themselves to add on, the amount they tax themselves then is power equalized. In other words, if Winnetka would only have to tax itself at a 2-percent rate to raise $200 additional it would, well, if the 2-percent rate raised $400 instead of $200 and $200 was the district power add on schedule, then Winnetka would have to distribute the $200 to the rest of the State.

Mr. JENNINGS. If that supplement was not power equalized, do you think we would be in violation of *Serrano?*

Dr. KIRST. Yes, I think it would. If not, I think it would lead to, over a time, to the same kind of box we are in now, where you get the thing fairly equal at one point in time, but you let the local districts add on and they keep adding on and on and 20 years down the line will be where we are now. So, I think that district power equalizing the add-ons is essential. I think it would violate at least the spirit of the *Serrano* decision, which is that differences in educational expenditures should not be based on wealth.

If you did not do that, as I say, over a time your situation would deteriorate, I think, into where we are now.

So that I think that it is my personal prediction about where a number of the committees in California would come out, not where the legislature will come out, because nobody would predict that, but the sort of expert opinion they get in proposals from some committees studying it, will be very high, say $800 per pupil and the local being add-ons to the local floor up to 15 percent, but they must be power equalized. This gets you into a situation of permitting both plans to operate.

Generally, under the administration's bill, this would be precluded because they, in a sense, forced everybody into full State assumption and a lot of, well, they precluded any element of district power equalizing. It is not a bill, but a proposal they asked the advisory commission to study. But they have come down without allowing this compromised version to operate here, and the plan I am proposing would permit this to occur. So that States could choose district power equalizing, full State assumption, or a combination of both.

The high State floor would also get around the problem we talked about to some extent with the cities, where you, if you did have a very high State floor and just 15 percent allowed to be added on by the localities, the high State floor would mitigate the problems that we have discussed here about district power equalizing, not taking account of the higher public service requirements of urban areas.

Mr. JENNINGS. With full State assumption, if the presumption is that you are going to have a leveling up of the poorer school districts, do you have estimates of how much it would cost to level them up to the highest expenditure districts or the top 10 percentile expenditure district?

Dr. KIRST. Yes. Mr. McLoone can answer it precisely because he is the leading expert in the country on that question. I will defer to him on that, but I want to make one comment before we go into numbers. I don't know why people pick out 90 percentile, and I am sure Mr. McLoone will talk about this, but there are only a very few school districts above the 90th percentile. If you pick a reasonable number which has most of the school districts below that, by that I mean 80 percent, it costs much less. So you need to be very sophisticated in looking at these leveling up percentiles in order to see exactly how few school districts are above it. In other words, say we have the 90th percentile, there are only five or six school districts above, but they all spend $2,000 per pupil. You have to level everybody up to $2,000 and that is enormously expensive. I defer to Mr. McLoone.

Dr. McLOONE. I wish I had brought the set of figures with me. I will send you the booklet by the National Committee on Support of Public Schools where these figures appear.

Essentially today, taking data from the 1967 census of the Government, one finds that it would take about 15 percent of expenditures to level up to the 90th percentile, or if you want to put it another way, about 2 years normal growth in State revenues at the present time for education.

Mr. JENNINGS. About $9 billion?

Dr. McLOONE. Fifteen percent is about $7½, or about $8.

Dr. KIRST. How about to the 80th percentile?

Dr. McLOONE. I don't remember that. I just remember the one figure, but I recall it drops sharply to about almost 7 percent when you get down to about the 75th percentile.

Dr. KIRST. You go from 15 percent to 7 percent?

Dr. McLOONE. I don't think one should use the President's Commission on School Finance figures. Those figures are good for what they try to illustrate, however, to get a more precise cost to the States, they are bad in that they eliminated 5 percent of the school districts. That means, for instance, you eliminate a place like Arlington in Virginia and when you do this, it turns out it costs a lot less in that scheme. There are several sets of competing figures available.

Dr. KIRST. When did they eliminate 5 percent in the school district? Is it their assumption you level up to 90 percent, they eliminate a certain percentage?

Dr. McLOONE. No, it was more a case where a school district like one in Wyoming spent $14,000 per pupil, which was an anomaly. To eliminate the anomalies, they eliminated 5 percent of the school districts either at the bottom or at top.

Miss BANZER. As a point of clarification, the districts with less than 1,500 students were eliminated. As those school districts prohibited a true perspective of the problem. Your figures are not that much different from those of the President's Commission; the concern in using the Commission's or your figures is that no effort was made to make the figures comparable either within or between States; for example, the totals would be different if cost differentials were taken into account.

Dr. McLoone. Yes, it may cost quite a bit in some States and a lot less in others. Hopefully, in the not distant future, the Office of Education will have some figures for 1969–1970 on that. You can try varying and different kinds of costs of leveling up of school districts to any percentile.

Miss Banzer. Are you working on this?

Dr. McLoone. I am working on it. It can be done fairly shortly.

Mr. Jennings. If I correctly understand the administration's proposal before the Advisory Commission, it calls for $18 billion with $13 billion going directly to the States for education purposes. That $13 billion is to be used as replacement money, replacing what is now raised with the local property tax. However, if we assume that full State funding would be required to receive this money and that for full State funding to be accepted, the States would have to level up, then wouldn't the States find it necessary to raise an additional $6, $8, or $9 billion?

Dr. Kirst. Yes. You are quite correct. You cannot have it both ways. If you are trying to do things, which is to relieve tax, but at the same time bring low-expenditure, low-wealth districts up, somebody has to put up some incremental money to get the districts that are spending say $400 up to $800. That can be, I guess, worked out two ways. The State would have to shoulder that burden because the administration's primary objective is to drive out the local residential property tax. So, in effect, they would be left with statewide business property taxes and other State tax on sales and income.

Dr. McLoone. May I interrupt? One thing that bothers me when anybody says this is that most State constitutions have a uniformity provision for taxation that applies to the property tax.

Dr. Kirst. By that you mean you have to tax residents and businesses uniformly?

Dr. McLoone. All property except for West Virginia which has a classified property tax system. It is the uniformity taxation provision of the Constitution where an income tax gets struck down by the State supreme court in Illinois or Pennsylvania. I never really find anybody addressing themselves to that particular part of the problem.

Dr. Kirst. The administration's draft plan would really be quite a revolution in say a State like New Hampshire, which currently puts up 10 percent of the funds statewide. That State would have to assume, you notice, all school costs. It would have to get out, repeal the uniformity provision in its property tax legislation, and have to come up with incremental money from State tax sources to level the low-wealth districts up.

Miss Banzer. I suggest we look at the administration's proposal as merely another alternative and not something they are necessarily going to come out for.

Dr. Kirst. That is very true. They have just asked it be studied and I think it is a very interesting idea. I point out later in the term, if you are really going to do anything about property tax and if you are really going to do anything about getting Federal leverage on State and local finance systems, it is going to cost a lot of money and costs, in my veiw, probably more money than you can get off of an income tax basis. If you think, well, you know, it is nice to have paper figures, but if we did some calculations of this leverage principle I have been expressing, that the State aid should be changed through Federal incentives, and if you did change the State aid systems, then the Federal general aid would come in and you could spend it for whatever you wanted to, but you just have to meet the conditions of expenditure equality.

If you look at that, there is an enormous amount of inequity in the present system and it really takes a lot of money to probably maneuver the States into this position. Probably it would take up over $5 billion a year. That is a lot of money and are you really going to get that from income tax? That is why the administration's proposal that they want to have studied is interesting to the extent this is really a big proposal, you know, with a new tax source.

Mr. Jennings. You are talking about $5 billion a year?

Dr. Kirst. Yes.

Mr. Jennings. Not the $1 billion that the President's Commission recommended, $1 billion a year for 5 years?

Dr. Kirst. No; I am talking about $4 or $5 billion a year. Remember, there are about 42 States plus local dollars in the present system, about $20 billion of State money in the present system.

Dr. McLoone. Yes.

Dr. Kirst. You are trying to use $1 billion of Federal aid under the President's Commission proposal to maneuver around $42 billion of State and local money. I don't think you can do it. OK, then you start getting into larger amounts of money that start to make sense per year, like $3 and $4 billion. You have to be realistic as to whether you are going to get that kind of money off of the income tax base. Now, the administration's idea comes up with a whole new tax and a massive amount of money, $13 billion. Now, that really is a lot of money and that is really going to be quite attractive, so that their idea is a very important alternative to have at the table to be thought about. It is a larger scale alternative and it is one that I think should be considered with great interest. As you point out, and I am well aware of this, this is not at all committed or solid that this would be an administration proposal.

So in terms of this leverage principle you want to maneuver around $42 billion somehow and it seems to me you need more than $1 billion a year.

Mr. Jennings. The President's Commission contracted for a study from the Advisory Commission on Intergovernmental Relations and it showed if you had full State assumption the average State would have to increase statewide taxation by 31 percent and in certain States like New Hampshire and Nebraska, they would have to increase taxation by 70 or 80 percent. Some of this is offset by a decrease in property tax, but you are still requiring, with full State assumption, that some States almost double their taxation.

Dr. Kirst. That is right.

Mr. Jennings. That is a substantial undertaking.

Dr. Kirst. I understand and Dr. McLoone can talk about it, the latest studies by HUD shows those figures are low, that the States would tax themselves higher than a 31-percent increase to go to the full

State funding. They were low about a factor of about half. So it is not 37 percent but more like 60 percent.

Mr. Jennings. That is without leveling up, that is full State assumption, correct, without leveling up?

Dr. McLoone. It is full State assumption and leveling up.

Mr. Jennings. The President's Commission just spoke of full State assumption and did not estimate the expense of leveling up.

Dr. McLoone. Right.

Mr. Jennings. So if you level up, you are doubling that probably, that is where the difference comes?

Dr. McLoone. Yes.

Dr. Kirst. So you talk about a massive change with a large money system. Now are you really going to get enough money off of income tax to accomplish that? The value-added tax scheme is an interesting alternative and should be studied.

Miss Banzer. Are you saying that in going to full State assumption, the property tax would be eliminated?

Dr. Kirst. Yes, they said you could not levy residential property tax or a local property tax.

Miss Banzer. Up to 10 percent local option would be allowed and also it does not eliminate the possibility of having a statewide property tax.

Dr. Kirst. For businesses only.

Dr. McLoone. You are talking about two different things. He is talking about the study proposal sent to ACIR presently and you are talking about the President's Commission.

Dr. Kirst. Yes, I talked about the proposal that the administration asked the ACIR to study. Secretary Richardson explained it for ACIR and he said the only property tax you could levy in the whole system was a statewide business tax and, in effect, you are substituting a Federal value-added tax for State and local residential property taxation.

Mr. Jennings. I think we had better get on with Dr. McLoone's prepared statement since it is getting rather late.

STATEMENT OF DR. EUGENE McLOONE, UNIVERSITY OF MARYLAND

Dr. McLoone. One source of revenue that the President's budget message sees, since he has been elected President, is the $22 billion reduction in the personal income tax and if you want large sums of money, repeal the 1969 income tax reforms.

The main things about the report on financing large city school systems, which I have been asked to testify on by the subcommittee, is that it is an attempt by the Office of Education to examine two kinds of things by a variety of analysis that have not been done in the recent past. For almost a decade no figures were available on city school finance and for the better part of 5 or 6 years, no analytical reports have come out of the Office of Education. Essentially, this is an attempt to correct these problems. It fills one gap in the information. There is a book, "City Schools, Suburban Schools" by Seymour Sacks, published by Syracuse University Press, which does the large job of the comparison of large cities against suburbs—the traditional data that we have had—but the Office of Education report compares large cities to statewide averages.

To do this type of comparison, two possible models of State aid are used. One model is a flat grant model which has been proposed by Arthur Wise in "Rich Schools and Poor Schools," that is, States should distribute money on an equal dollars per pupil basis, which would help solve the difficulties between the rich and poor schools in that giving out money in an equal amount per pupil is another way of looking at full State funding. Another model of State distribution would be the more traditional program of trying to equalize some dollar amount and applying this as a strict equalization provision. The first attempt is to take the 87 largest cities and ask: How much can we do with those 87 large cities from available data? For various and sundry reasons, the 87 districts are reduced to 25 cities to which these models apply.

The report says it is hard to make generalizations about large cities. We can say that some cities but not all would be better off, if money were distributed by the State on flat grant basis and some cities but not all would be better off, if money were distributed by the State on an equalizing basis.

Some States seem to discriminate against a particular city but it is hard to find that there is an overall anti-big-city bias among the States in distribution formulas for education.

One particular interesting fact is that the Federal evaluation of need, if we take title I of ESEA, recognizes that 54 of the 84 cities in the report have above average need. The States recognize a similar need in only nine instances and localities in only 15 instances. In 30 of the 84 cities the need, as seen by the Federal Government, in title I of ESEA, is not recognized by the State or locality. We might say there is substitution to some degree of Federal funds for local funds in those instances.

The biggest difficulty in data as mentioned on page 8, is a difficulty that underlies any number of proposals. "How does one measure educational need." The measure of educational need used in the report is average daily attendance and average daily attendance may understate the costs in cities in two ways. First, it may understate the needs of the cities in the sense that cities tend, at least presently, to have less pupils attend daily for varying reasons than other parts of the States. Second, there is a considerable body of literature that says, "A number of cities have more costly pupils." It is very obvious from studies in New York, that New York City and Buffalo have more costly pupils than the State average, and it is obvious from studies in Illinois that Chicago has more costly pupils than the State average. Neither of these factors are recognized. The report understates in some ways the particular plight that cities might have.

Taking into account the various factors, there are about six cities that are discriminated against across the board. These are cities (1) that tax themselves more highly than the State average, (2) that the State give less than the State average, and (3) if you apply either of the two models available, they should do better than they do in receiving State funds. Under a straight flat grant, recognizing the flat grant model used in that, it underestimates the needs of cities, it may underestimate how much cities don't receive, these cities don't receive funds equal at least to their ADA. They are: Indianapolis, New Orleans, Philadelphia, Birmingham, St. Louis, and Spokane. Compared to data on the remainder of the States, those cities are poorly treated.

The report yields mainly negative statements. There are few positive statements that can be make. If one applies the models, Detroit obviously is discriminated against. Yet Detroit values its own pupils lower than the rest of the State. The question becomes "Is the State doing anything more than what the city of Detroit itself does"? One can go either way with the data.

Mr. JENNINGS. Dr. McLoone, your prepared statement, the summary of the study, "Finances of Large City School Systems," and the HEW press release will be inserted at this point in the record.

(The documents referred to follows:)

Statement by Dr. Eugene P. McLoone, Associate Professor of Economics and Education, University of Maryland

Before summarizing the findings of the study by the United States Office of Education entitled: *Finances of Large City School Systems: A Comparative Analysis*, I would like to establish the framework in which this analytical report was prepared. From the 1959-60 to the 1967-68 school year, statistics on large city school expenditures were not regularly collected or published by the Office of Education. Analytical reports on school statistics ceased with the reorganization of 1965. There have been repeated calls for both data on large-city school systems and publication of that data in an analytical framework. The 1971 report by the Office of Education on large city schools represents an attempt to answer this demand.

If a report such as *Finances of Large City School Systems* indicated a common set of circumstances and facts about large city school systems, the direction for policy makers would be clear. The report, however, emphasizes that there are few generalizations one can make about all large city school systems when they are compared with statewide data. Some, but not all city school systems would be better off than present if the state adopted a flat grant method or equal dollar per pupil distribution of funds; some, but not all city school systems would be better than present if states adopted a strict equalization approach to state fund distributions. In at least 25 of the 84 large city school systems, the state saw the large city as more deserving of support than other districts in the state. In the remaining 59 of 84 large city school systems, a state evaluation of education equal to that of the city school system would have provided more state funds than in 1967-68.

Fifty-four of 84 large city school systems had above average need in the state as measured by Title I of Elementary and Secondary Education Act of 1965. States recognized this added need in only 9 instances and localities in 15 instances. Stated differently, in 30 of 84 large city school systems the need for more funds as seen by Federal Government through ESEA Title I was not recognized by either the state or the locality.

One can make few generalizations from that data that apply to all cities or the states that contain the cities. One can indicate groups of cities to which generalizations apply. The availability of data restricted the analysis to 25 of 84 large cities for testing of a state distribution based on a flat grant or strict equalization model. Use of Average Daily Attendance (ADA) may understate the need for funds in large city school systems as it takes no account of the fact that cities may have more costly children to educate than the rest of the state (see page 8 of the Report). ADA may also understate the need of large city school systems because attendance is less than state average. Use of ADA was dictated by availability of data.

In discussing state treatment of large cities, one can say that the State of Illinois treats Chicago differently than Rockford. Rockford would receive more funds under either a flat-grant model or a strict equalization model than it did in 1967-68; Chicago would receive less. The greater assistance of Chicago, by the State of Illinois, than called for by the ADA flat-grant model may be the result of the State of Illinois recognizing a greater need in Chicago than the rest of the state based on ADA. Available data do not permit citing reasons for the differences in treatment.

Comparisons of large city school systems with statewide averages do not give a clear picture of favorable or unfavorable treatment of large cities by their state governments. The picture is not nearly as clear as city-suburban comparisons where large cities are obviously badly treated. It would seem that finance policy for large city school systems calls for more attention to special large city needs and special state policy.

Finances of Large-City School Systems—A Comparative Analysis by Lynn H. Fox and Gordon E. Hurd

SUMMARY

Among the 84 large-city school systems analyzed in this report in terms of the Flat Grant model:

(1) Fifty-one (60.7 percent) received less than the statewide average for total revenues.

(2) Seventy (83.3 percent) received less than the statewide average for State revenues.

(3) Fifty-five (65.5 percent) raised more than the statewide average at the local level.

(4) The Federal influence was mixed. Although 54 (63.3 percent) received more ESEA funds than the statewide average, the low level of support from other Federal programs resulted in 43 (51.2 percent) systems receiving less Federal revenues than the statewide average.

When the consideration of differing financial abilities, as measured by the assessed property valuation, was taken into account for the 25 large-city school systems analyzed in terms of the Equalization model:

(1) Sixteen (64.0 percent) had higher assessed property valuation (adjusted for noneducational uses of general revenues) than the statewide average.

(2) Nine (36.0 percent) supported a tax rate that was higher than their assessed property valuation; six (24.0 percent) supported a tax rate lower than their assessed property valuation.

(3) Although 23 (92.0 percent) received less than the statewide average for State revenues using the Flat Grant model, only 10 (40.0 percent) would have received increased State revenues under this Equalization model because of the above-average assessed property valuation for most of the 25 cities.

(4) Six (24.0 percent) would have received increased revenues from the Equalization model than from the Flat Grant model.

(5) Six (24.0 percent) would have received no State revenue under their Equalization model because of their very high assessed property valuation.

More detailed analysis of the problems of urban schools is necessary. The following questions need to be examined:

1. How do large-city school systems compare with their surrounding suburban school systems on revenue receipts, assessed property valuation, need, and effort? Some analysis of this type has been done which has shown the effects of the "municipal overburden" factor. More analysis is needed to examine in depth cost and need differentials between urban and suburban school systems.

2. How do medium-sized cities compare with suburban school systems and large-city systems on revenue, assessed property valuation, need, and effort? A study of this nature would indicate whether the financial crisis is acute only in the large cities—or whether it exists also for medium- and small-sized cities.

3. Can indicators of quality be derived to determine whether the cost for the same quality of education differs among urban, suburban, and rural school systems? Can quantifiable measures of educational need be developed to determine the additional cost involved in raising the educational level of the disadvantaged students in large urban school systems to the statewide average?

The foregoing problems are currently being carefully studied by urban school finance specialists across the country and the President's Commission on School Finance, and additional analysis may soon be available. Hopefully this report materially contributes to the existing information about the financial conditions of large-city school systems.

In this study, only a portion of the data were examined by using a specific analytical framework. An abundance of additional information, presented in the tables, has not been discussed in this analysis. The reader is encouraged to examine these data thoroughly.

HEW News

A majority of the Nation's big-city school systems receive a proportionately smaller share of State education funds than their suburban and rural counterparts, according to a study released today by HEW's Office of Education.

"In view of the evident financial plight of many urban schools, the inequities of current State school aid practices which this study reveal make it imperative for each State to reassess its school finance procedures to determine how fairly its education dollars are being distributed," said U.S. Commissioner of Education Sidney P. Marland, Jr.

The study, conducted by OE's National Center for Educational Statistics, analyzed the financial status of 87 big-city school systems during the 1967–68 school year. It found that, on a per-pupil basis, 83 percent received less than the statewide average for the distribution of State revenues.

The study also found that while 65 percent of all big-city school systems were able to raise more, on a per-pupil basis, than the statewide average from local sources, the low level of State support usually resulted in total per-pupil revenues below the statewide average.

St. Louis, for example, received $182 per pupil fom the State, or $55 less than the State average, while the local school system provided $10 more per pupil than the State average. Total revenue amounted to $725 per pupil, which was $42 less than the State average.

The report also analyzed the financial ability and property tax efforts of 25 big-city systems for which data were available. Using an adjusted assessed property valuation as the indicator of financial ability, 64 percent had assessed valuations higher than the statewide average.

In addition, 36 percent supported a tax rate that was higher than the statewide average, 24 percent supported a below average tax rate, and 40 percent supported a rate approximately equal to the average.

"Although we in the Federal Government are in the process of reexamining Federal school aid practices, the major share of local school revenues will continue to come from State and local resources," Commissioner Marland said.

The Federal influence on local school finance is mixed. The OE study revealed that funds distributed under provisions of the Elementary and Secondary Education Act (ESEA) apparently favored the 87 big-city school systems, with 63 percent receiving more than the statewide average. However, the effect of the other Federal programs diluted the impact of ESEA revenues, so that 51 percent of big-city systems received less than the statewide average for all Federal funds.

The study, *Finances of Large-City School Systems: A Comparative Analysis*, (HE 5.222:22028) is available for $1.00 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Mr. Jennings. The national education finance project set out two alternatives for considering what they called educational need and they would double count or almost double count certain types of pupils. Now, as I understand it, that is a misnomer in that it is not measuring education need so much as it is measuring the educational cost to educate these children right now and that is without any evaluation of whether using twice as much money on a disadvantaged child results in a better education for that child and the same thing with vocational education and the same thing with the handicapped. Now, do you know of any studies which can estimate the need, educational need, without just estimating the present educational costs for those categories of pupils?

Dr. McLoone. First, I would recommend the Brazer study, which is part of the Fleischmann committee report, where Dr. Brazer, of the University of Michigan did a rather careful regression analysis across the State of New York, and tried to sort out the varying effects on costs and using some statewide testing data.

Otherwise, one must go back to projects like Higher Horizon and data from title I evaluations. I would take Title I's evaluations of

Baltimore city, which show various programs as being effective. It gets very hard to estimate what the cost of a different production method would be, unless it exists someplace. What one needs is a successful program and some test results as on the output measure. These appear in very few studies. Jesse Burkhead's "Large City Finances Input-Output Analysis" with data for Atlanta and Chicago, have this type of analysis. He concluded that 2½ to 3 times more than present spending is not enough, maybe it has to be 5-to-10 times more. This conclusion doesn't do much good.

Dr. Kirst. Could I make a comment on it and submit them for record, the paper I mentioned in the statement on "Rationales of Differential Funding," a paper some people at the Stanford Research Institute prepared, and I advised them on. (This document appears in the record after Dr. Krist's prepared statement.)

This sets out a number of alternatives for weighting the pupils or giving some pupils more or less weight than others. Your question was addressed specifically to the "NEFP" categories where they would give higher weights of expenditures if you weighted every "normal pupil" in a normal program, one, they would rate at higher rates like 1.50 or 1.75 pupils in programs like compensatory education, exceptional and vocational, and other types of education. I have essentially three points on this worth mentioning.

One, I am very skeptical about this approach for three basic reasons. One is the non-comparability of the program. The NEFP classifications come down to one final weighting number for compensatory education. I believe, 1.65 or something like that is the magic number. Yet, when a study was made by Burke, Kelly, and Garms, of these compensatory programs, 31, they found no two programs had exactly the same purposes and even programs with similar broad purposes such as development of reading skills differed greatly in how they used resource inputs, numbers of teachers and numbers of books, so that you have a non-comparability of programs.

You are looking at the apples and the oranges and looking at a reading program and a math program that some use teacher aides and that some use after school teachers, and it seems to me efforts to determine costs of compensatory education and reducing that to a single number, is similar to calculating the cost of balls by looking at baseball and basketball factors. So you know I just don't, or I am sort of skeptical on that.

Another difficulty, it seems to me, is that the cost for things like compensatory education and vocation education are based on programs that have a reputation for being "exemplary." Who says they are exemplary? NEFP employs a number of experts in the relevant needs of vocational education, the handicapped and so on, that is strictly then their judgment, because, as Dr. McLoone is pointing out, we have no data on the outcomes of those exemplary programs but all we know is the processes used are judged by experts to be exemplary. But have no data to say the processes have resulted in enhanced achievement by pupils so they are exemplary in an input and not an output sense. The third problem involves the costs and research inputs. We don't have good accounting systems to find out what it costs now on a sound basis for comparing vocational education and education of exceptional children. We can't point costs out except through an inane and non-programmatic accounting system used by the local schools. So any attempt to cover these things runs into the fact that we can't get the cost data related to programs. The books are not kept that way. So there are sort of three basic problems I think one ought to consider with this, not to say there is not a lot of merit in the proposal, but I think the paper generally attempts to lay out, you notice, some of the pros and cons of a number of these suggestions that have been made about differential funding.

Do you want me to submit it now?

Mr. Jennings. Yes; it will go along with your prepared statement in the record.

Dr. McLoone. Can I say one thing about weights, about cost differentials that are of some consequence?

Mr. Jennings. Yes.

Dr. McLoone. When one tries to do weighting of pupils for cost differentials on a national basis as NEFP and a number of others have done one does not take into account some school systems may spend $500 per pupil; others, $1,000, and still others, $1,500 per pupil. The differential may be quite different at each level of expenditures.

On the other hand, these weighting differentials within a State are not of great consequence where the important thing is the relative standing of each of the school districts. All that weights do is change the standing of one district compared to the next or in comparison with the State average. The absolute magnitude is not important; only the relative standards of one district to the next, or one district to the State. As a measure of need to test average State distributions, average daily attendance was used. If in the USOE report the enrollments were used as a measure of need, the measures would be different but it would have no effect on the distribution if enrollment were a constant percentage of ADA in each district of a State. All that weights do is change the relative position of districts who have more of State total because of the weightings and districts who have less of the State total because of weights. Weights make sense in designing a State aid program. It is very difficult to use these weights to say "This is actually what the cost differential is." I wanted to make the distinction between using weights in a State distribution of funds and using weights to imply actual cost differentials.

Dr. Kirst. On the average daily enrollment thing, I think it would be useful, and I would like to see statistics and for the subcommittee to gather them, statistics on these enrollments. All I know is when I go into the city schools I am appalled how few people are in the junior and senior high schools, how few students. The teachers may have 24 or 25 on the roll books, but by random observation I rarely see more than 12 or 13. We have one indicator of the school problem, being that nobody seems to be coming to the inner cities in the junior and senior high school levels.

This means that sending money out on an average daily enrollment basis, which would help the cities, in that it—it is really average daily membership. And this would allot the money to the cities based on what is in the teachers roll books and at the beginning of the year she might have 24 or 25. The average daily attendance system relates the money to how many are actually there and it seems to be as few as half or 60 percent in any given day and it penalizes cities greatly. It argues also for great concern because you know the attendance is very, very low in these schools and that gives us I think a fairly firm indication of the magnitude of the problem.

Mr. JENNINGS. If I might go back to the USOE study, as I understand it, this is a study conducted under the auspices of the U.S. Office of Education.

Dr. McLOONE. It was a study suggested by the Kelley Committee on Statistics.

Mr. JENNINGS. And that was a subcommittee of the Finch-Riles Committee on Urban Problems.

Dr. McLOONE. Yes, and it was a study that the Office undertook to do.

Do you want me to talk about my role within it, is that it?

Mr. JENNINGS. If I understand correctly, this is a study commissioned by the Office of Education and payed for by the Office of Education, is that correct?

Dr. McLOONE. It was a study for which I provided the theoretical framework and for which I trained two interns so that similar finance studies could be done by the Office of Education.

Mr. JENNINGS. Right.

Dr. McLOONE. My role was jointly a training role and one of turning out the study.

Mr. JENNINGS. Right, but my point is that this was a study which the Office of Education wanted in order to assess where Federal and State and local moneys are going and it was a study which the Office of Education did and printed.

Dr. McLOONE. Office of Education staff members performed the study. I laid out the framework which the data analysis should take and showed them where the data sources were. We tried a number of things, that did not work. The study was written by staff members of the Office of Education and I did some editing. I didn't write the report, however I feel responsible for the format of the tables and other aspects but I didn't do the writing.

Mr. JENNINGS. This study, as I understand it, found that the large cities have greater need measured in terms of the number of poor children, poor children with greater educational needs, and found that title I of the Elementary and Secondary Education Act gave large cities more money in recognition of this need, but that other Federal programs, other Federal educational programs, did not recognize this need in large cities?

Dr. McLOONE. Yes.

Mr. JENNINGS. So, in other words, title I gave more money to large cities because of their need but because of the other Federal programs which did not recognize need and which had a large State discretionary authority over how the funds were distributed, Federal aid as measured by needs, canceled itself out for the majority of the large city school systems. In other words, Federal aid can not be considered, if this study is correct, as giving more money overall to the large cities because they have a greater need, because what one hand did, title I by giving more money on account of need, the other hand took away because the other Federal programs didn't consider need and because State educational agencies had discretion over how the money was distributed, is that correct?

Dr. McLoone. Yes.

Mr. Jennings. What do you know that the Office of Education has done since then to bring about a redirection of the other Federal educational aid programs? Has the Office of Education urged the State education departments to consider need in the distribution of title III NDEA funds or title II ESEA funds?

Dr. McLoone. Not that I know of.

Dr. Kirst. No.

Dr. McLoone. I think, you know, there is quite a bit of evidence besides this Office of Education report, pointing out the same point.

Mr. Jennings. But I thought it was more dramatic in the sense that the Office of Education paid for it and conducted the factual study with two of its own employees, two people on the payroll, and the study was done a year ago, I believe, even though not released until January of this year. I am curious what the Office of Education has done about it within that time?

Dr. McLoone. Reed Saunders paid some attention to it——

Mr. Jennings. Did he issue a directive or advisement letter or something to State educational agencies concerning it?

Dr. McLoone. No.

Mr. Jennings. Has the Office of Education agency brought the study to the attention of State educational agencies?

Mr. McLoone. Not that I know of either. I think that internally Reed Saunders has called it to the attention of a number of people. But other than that, I don't know that anything was done with the study. The study was out for 6 months or so before the Office even issued a press release on it.

Mr. Jennings. So it was actually released in the summer of 1971?

Dr. McLoone. No; the study actually got printed around January of this year. You can find, or I can find the exact date in "Education-U.S.A.", about a week after it was actually printed, "Education-U.S.A." carried a little statement about it. The study was finished maybe 18 months ago.

Dr. Kirst. May I make a comment on that? I would think the proposal of special revenue sharing is currently what the administration is supporting. That seems to give the States even more discretion in distributing these funds.

Dr. McLoone. Exactly.

Dr. Kirst. What Dr. McLoone's study shows, however, that it is the Federal programs that now exist that have the largest State discretion that pay the least attention to the needs of the cities.

So it seems to me, at least, that the two things just don't tie together logically. If you have an urban problem with the State discretion on programs, the answer is not to give the States more discretion through special revenue sharing. So that it seems to me that we are in sort of a box here, where this study is going one way and the proposal for special revenue sharing in the opposite direction. I am not surprised at your answer.

Mr. Jennings. The same was true in 1969 and 1970. The Office of Education was reviewing title I and found that there was a need for a much greater Federal role in title I because the school districts were not concentrating their money, they were supplanting local money and doing all of these other things they ought not be doing under title

I and the Office was releasing reports for 2 years on how there should be a greater Federal role in title I. And then under special revenue sharing, they go in the opposite direction and try to give more control over title I to the States, which were the agencies they had been critical of for 2 years. But if I might ask you another question about the Office of Education study. I notice that the Office of Education says that, "This study found that 65 percent of the large city school systems were able to raise more money on a per pupil basis than the statewide average."

Now, I think that should be clarified. That "were able to raise" statement is in the sense of assessed property evaluation per pupil and, as has been pointed out to us by the Urban Institute, which also conducted a study for the President's commission, you cannot use that as an accurate measure of wealth within the cities, because, first of all, they have fewer pupils in the public schools because they have, or generally have, larger private school enrollments and second, even a per pupil count is not accurate because of the larger number of poor children in the large cities. So the press release is misleading here.

Dr. McLoone. The press release would have been much better to have said 16 out of the 25 cities rather than the percentage they published.

Dr. Kirst. Yes, because they left the implication that the cities were wealthy, it was just that they didn't want to tax themselves. The second factor is that this study did not address itself to whatever is called municipal overburden in terms of what the taxation rate is for other service within the large cities.

Dr. McLoone. We addressed ourselves to this.

Mr. Jennings. You did. And you found it was a higher tax rate in cities than suburbs for municipal service?

Dr. McLoone. No, for municipal overburden, 15 out of the 25 cities have municipal overburden and the other 10 do not.

Mr. Jennings. Where are the other 10? Is there a generalization about the northeast or southwest area that can be made?

Dr. McLoone. Let me see. I think I understand it; no, I don't understand it. Chicago and Rockford have less municipal overburden than the State of Illinois as a whole and I don't understand why it happens.

Mr. Jennings. I don't believe that is accurate because if I remember correctly, Chicago has a much higher tax rate for municipal service than surrounding suburbs.

Dr. McLoone. Yes, but against the whole State. Part of the problem is that this report is comparing cities to statewide averages and if there turns out to be many other municipalities like the downstate cities of Illinois, then Chicago may not be that much worse off than other cities in the State. This is comparing Chicago, not to the suburbs but statewide average, the situation is not as bad. The reason for data coming out this way is that in some instances a particular city is different to the State or to the city's suburbs. In the statewide average there may be many other cities, and a particular city may not deviate for statewide city average. There is no real generalization one can make about where these cities are.

Dr. Kirst. If I take a State that I know well in terms of all the cities, and I should know Illinois well because I went to school there for 3 years, not in Chicago but Urbana but I don't know all of the cities that well. If I take a State like New York, one would find tremendous municipal overburden in Albany, New York City, Buffalo, Syracuse, probably, but less in Rochester, Binghamton, and a number of other smaller cities, and if I then compared, say Syracuse, to the State average, there would be no municipal overburden in the sense that we usually think of it. It is that type of situation.

Dr. McLoone. We did take that into account for the 25 cities in table 9. We did not use the data though, because it really gave us mixed kinds of results. We found 15 of 25 cities having municipal overburden.

Mr. Jennings. Within the limits of your study, though, you found 15 of 25?

Then, do you agree with the conclusion that one of the reasons for a lower amount of State money going into large cities is that the States only look at the property wealth per pupils in many of the foundation programs or is that because they use the "ADA?"

Dr. McLoone. It is also because they look at the property valuation per pupil in many instances. One of the reasons Chicago gets less money from the State than it might otherwise, than the suburbs, is because of assessed valuation. One of the reasons that San Francisco or Oakland gets less money is because of assessed valuation, not because of anything else in the program, so in many instances it is assessed valuation that is involved.

People have shown that if one does what happens now in New York State with the decentralization of New York City where New York City is districted into areas of 30,000 pupils and treated as individual 30,000 pupil districts, New York City receives more money from the State without any other change in the State aid formula. This occurs mainly because the property values are concentrated in one part of the city and there is not as much in other parts of the city, where there is only residential property.

Mr. Jennings. I would like to ask one more question. Since you know a little bit about leveling up, do you think that the President's Commission's recommendations for $1 billion in incentive grants per year will lead to the States being able to fully assume the costs of education and level off at the same time? I know you addressed yourself to it a little before.

How much Federal money do you think it would take?

Dr. McLoone. I guess I would like to take a look at the recommendations in the President's Commission on School Finance as saying "We need about," depending on how you add up the figures, and I don't have enough detail here but maybe I can give you details, that we need "about $5 to $7 billion a year." I can go through and add up the incentive grants, compensatory grants, and different other things and it comes to a total of about $5 to $7 billion a year. That is the package to talk about. If one buys the whole package, and State and localities. What the President's Commission wants, $1 billion may achieve the results in the phased-in operation proposed. If one wants to look at State assumption and leveling up, we are probably talking about a program that maybe has to be of $15 to $20 billion a year. To achieve both, I could lower it a little, but not much lower than $12 billion. These are not careful estimates of what leverage would cost but my recollection of costs.

Mr. Jennings. Thank you.

Miss Banzer. I believe they were talking about a $25 billion package over a 5-year period if all of the recommendations were incorporated; the $1 billion figure you have just given covers costs of a Federal incentive to assist the States in going to full State funding.

Dr. McLoone. Right.

Miss Banzer. If I perceived you correctly, you both seemed pessimistic about coming up with a cost of education index and educational needs index because you feel the appropriate cost factors are not available.

Dr. McLoone. It depends on what you mean by cost factors. I think we can. I want to emphasize, a fairly simple concept that is rather difficult to comprehend, the only thing that counts in a distribution formula is relative position of districts or different States.

Let me say it this way: If every State in the Union has 20 percent of its students that are secondary pupils, and the other 80 are elementary, it makes little difference whether we weigh for secondary pupils or have any kind of cost factors for secondary. What becomes of appreciable importance is one State with 50 percent of the pupils, secondary pupils, and another State has only 1 percent, so the important thing is relative. It is not absolute in terms of distribution, in other words.

In terms of those relatives, I think we can do a fairly good job. The question that was asked of me about costs and cost differentials was: "Can we say, if we spend $2,000 per pupil on a compensatory child, that will necessarily achieve either equality of educational opportunity of the same quality of education as for a normal child?" For those questions we do not have the cost data that people would like. I would like to separate those two questions. One question deals with distribution of either Federal funds to States or State funds to local districts. The other question deals with returns for funds spent. The questions are related but different because I think there are two different kinds of questions.

Dr. Kirst. Let me respond to this in part, just one anecdote. Charles Benson, who was the staff director of the Fleischmann Commission study in New York swore, at the outset of that study, which cost something like $2 million or $2½ million, he would not conclude that study using teachers' salaries as an indicator of the cost of education in allotting State aid formulas to show differences in costs among the areas in New York. At the end of the study he recommended using teacher salaries.

My personal view is we should forget cost of education and look at cost of living and adjust it by that. If you are really going to come up with Federal general aid money, I would pay the Bureau of Labor Statistics to split the State of New York into regions and do a study of cost of living among the regions in the State of New York and I would weight, you know, my amounts that I sent out in my education aid formulas reflecting those costs of living. Rent in New York City is a whole different field than rent in Ticonderoga. In other words, moving away from cost of education which ties you into incredible input and output problems, very difficult accounting problems I have referred to, and it just is doing cost of living. As of now we keep cost of living largely on a national basis and by standard metropolitan statistical areas. That is of no use either for Federal formulas for education or State formulas. The technology of doing cost of living surveys is very easy and very well done. All you have to do is pay a few more people to go to do it. That would be, I guess, my recommendation for, you know, trying to weight for costs in educational distribution formulas. Weight for cost of living.

One other thing. The President's Commission, and the study the Urban Institute did for the President's Commission, did a comparison of the difference in expenditures between New York State and North Carolina and they found that 70 percent of the difference of expenditures, and there is quite a difference there between the two States on the average, but 70 percent of it was accounted for by the difference in prices. A teacher cost you much more in North Carolina with the same background, the same experience, rather cost you much less in North Carolina than it did in New York. Only 30 percent of the expenditure differentials between North Carolina and New York reflected higher service level inputs, more teachers and books and things of this sort, and the rest was plain price difference. The same thing would cost you 70 percent more in New York than in North Carolina. I would argue the point to mean that moving to the cost of living basis is a better one.

Dr. McLoone. Most cost of living differentials have shown that the crucial component is housing and rent and to push my earlier point about "all you need is relative difference," I would take the 1970 census of housing and population and get the relative cost, let us say, of median housing or maybe even distribution of housing costs. On that basis, I would have a good fix on the relative differential costs of salaries to difference in costs across the country, even within States. All you need is that relative difference. I am differing here on emphasis. I am differing with Dr. Kirst in that one doesn't need people to go out, and collect data for a distribution formula, as one can use the existing data to get the differential that is important.

Dr. Kirst. When you talk about "relative," you mean you would take a comparison between say Florida's physically and mentally handicapped children as compared to Nebraska?

Dr. McLoone. Yes, if you mean percentage of total school population. However, I am not even trying to deal with cost differential. We get into a problem when New York State spends $1,000 per pupil and Mississippi spends $300 per pupil. For special education in New York only a 50 percent greater differential or $500 over my $1,000, is needed but in Mississippi for a comparable special education program, it may cost over 300 percent greater differential or close to $1,000. We get into real difficulties in trying to apply the "NEFP" weights in distribution formulas across the board in all States. The same reasoning can be applied to school districts in the State but within a State the "NEFP" weights may be applicable.

If the percentage that the mentally handicapped children are of total school population vary drastically between Mississippi and New York, we may need weight for mentally handicapped. However, if it happens, as I think most of the data will attest, that for large areas of at least 50,000 population, about 12½ percent of the school-age population have a need for special education programs, one doesn't need to ask what is the extra cost of special education in the distribution formula.

Dr. Kirst. If you took all 50 States, you say that the percentage of all of these different problems, let us say, increase the costs per pupil expenditures would be similar in every State.

Dr. McLoone. All except, as far as I am concerned, all except one problem and that is the large city problem, which I don't think is uniform to all States. I think the wealth of the data shows that it tends to be concentrated in the Northeast, in the older cities, some of the more well-established cities, northeast going as far west as Minneapolis-St. Paul, with the Mason Dixon line on the south as a boundary, that segment of the country. The differences among these cities is great. One can take studies done of Minneapolis, Cleveland, Buffalo, and Chicago or New York. These cities have problems.

It is quite different, as far as I am concerned, in California. The places that have problems are cities like Vallejo, Oakland. Later developing cities like Houston or Atlanta do not have the same problems.

What I am talking about may be only a time line of age in which problems develop. The Nashvilles, Chattanoogas, Atlantas, and New Orleans are moving along that time line, and they may reach it shortly. Most other data do not vary that much State by State in terms of educational need as large city needs of educating children do.

Miss Banzer. Do you think data can be gathered to show these relative needs?

Dr. McLoone. I recommend people go back and look at ACIR's "Fiscal Balance in American Federal System, Report A-31, October 1967, Volume 1," and "Metropolitan Fiscal Disparities, Volume 2," and also "Measuring Fiscal Capacity and Effort of State and Local Areas, 1971." What ACIR did on 1960 census data.

One can take that report, and reports, such as the Helmuth-Sacks study of Metropolitan Cleveland and a number of others that have been done and all these reports show that there is a real difference between older cities, roughly of northeast-north central area and cities in the rest of the country. The 1970 census will probably show the same thing but show a spreading to other parts of the country as cities move on the time line of growth and decline. The direction of the data is clear.

Dr. Kirst. I am pessimistic on getting a cost of education index directly, what I say is lay aside the cost of the handicapped and the disadvantaged in the sense of trying to adjust for the costs and adjust for costs in a formula, well, use those categories as more need, not as higher cost, do you see what I mean? The disadvantaged need more.

Dr. McLoone. Just set to cost?

Dr. Kirst. Yes, but I would justify it more on the need basis than trying to get precise cost figures as NEFP has. I would try to adjust for costs showing, you know, it is much more costly to buy the same kind of resource input in New York City than it is in Mississippi, so you need some adjustment in a formula for those kinds of costs, that is what I am talking about in cost of living. I am pessimistic about trying to get cost figures which relate to categories such as disadvantaged and the handicapped and this sort of thing. I think you could adjust the formulas for that, but justify it basically on need, saying we are not sure on what the precise cost figures of these are. I think if you try to justify more money, say, for the disadvantaged based on how much the cost and try to do it precisely, you will find yourself in an impossible situation.

Miss Banzer. We have been discussing that, although title I is distributed according to need, the other Federal programs are not; consequently, the distribution of Federal funds is not reaching where it is most needed.

Mr. Jennings. I think he is saying that if you require a revision of Federal and State laws, don't require it in terms of some sort of formula set out by the national education finance project, which goes to present cost, but rather you try to double count children or somehow have some measure need, or use some data which shows there is an extra need, but the data would not necessarily be related to actual present cost.

Dr. Kirst. Just specific costs and I would have a cost factor hanging on the end which would be adjusted for cost of living, rent, as Dr. McLoone pointed out. So you would have a three-sort of figure, a figure for each sort of normal child and greater needs of disadvantaged and handicapped pupils and then a cost factor on the end. This would be basically cost of living, cost of buying the resource inputs which then would adjust for New York City versus Mississippi. So I am trying to cut the cord between costs and the special needs of the handicapped and disadvantaged. I am pessimistic that you can even make a good case, tying those two concepts together, a precise case which you can use in a formula. So I try to divorce the cost analysis, and put it in a formula as a third factor related to cost of living.

Mr. Jennings. It is my understanding the House is in session, so we will adjourn the meeting subject to the call of the Chair.

(Whereupon, at 11:50 a.m., the General Subcommittee on Education recessed, to reconvene subject to the call of the Chair.)

APPENDIX A.—NATIONAL EDUCATIONAL FINANCE PROJECT
AND EXCERPTS

Excerpts from—

Alternative Programs for Financing Education

Roe L. Johns, Director
Kern Alexander, Associate Director

NATIONAL EDUCATIONAL FINANCE PROJECT
Gainesville, Florida 32601
1971

CHAPTER 8

Federal Responsibilities for Financing Educational Programs

Since the founding of the Republic, the role of the Federal Government in the field of education has been the subject of recurring controversy. While Congress is empowered to "levy and collect taxes . . . for the common defense and general welfare of the United States," education is not one of the powers explicitly delegated to Federal Government. However, in recent years the general welfare clause has been interpreted broadly enough to permit effective participation in the field of education by the Federal Government. This interpretation, unfortunately, did not immediately usher in a period of effective participation in education by the Federal Government. Instead, it ushered in a prolonged controversy between advocates of federal categorical aids for education and advocates of federal general support for public schools.

In 1931, the National Advisory Committee on Education, appointed by President Hoover, issued a report entitled "Federal Relations to Education." In this report, the Committee declared that the American people are justified in using their federal tax system to give financial aid to education in the states, provided they do this in a manner that does not delegate to the Federal Government any control of the social purposes or specific processes of education. The Committee also emphasized that federal funds should be granted to the states to aid education as a whole and not as special grants for the stimulation of particular types of training, and that the Federal Government should render large "intellectual assistance" to the states in matters of education through scientific research.

This report, issued in 1931, suggested criteria which would be relevant today. A few years later, in 1938, a new committee appointed by President Roosevelt gave its views concerning the role of the Federal Government in education. The report of the United States Advisory Committee on Education stated that grants should be made available to the states for "all types of current operating expenses for public elementary and secondary schools"; that the states should be permitted to use part of their federal funds for books, transportation, and scholarships for children attending both public and non-public schools; and that the American people would rightly object to any attempt to use the Federal aid as a means of controlling the content or processes of education in school.

These and subsequent studies emphasized the need for general purpose grants to states to supplement state and local school tax revenues. They sought to minimize federal direction and control of the educational process. Despite these recommendations for general purpose grants for public education, federal participation in education during the past fifteen years has moved rapidly toward categorical grants for narrowly-defined educational purposes.

A recent publication entitled, "Guide to OE-Administered Programs, Fiscal Year 1970," in which the U.S. Office of Education listed 132 programs, reveals how far we have gone down the categorical aid route. Illustrative of the narrowly defined categories are the following programs selected from the list:

1. Aid in the acquisition and installation of equipment for ETV broadcasting;
2. Construct or improve undergraduate academic facilities;
3. Construct vocational education facilities in the Appalachian region;
4. Aid construction of public libraries;
5. Strengthen instruction in ten critically important subjects;
6. Support provision of school library resources, textbooks, and other instructional materials;

7. Assist in establishing and maintaining guidance, counseling, and testing programs;
8. Support visits by foreign consultants to improve and develop resources for foreign language and area studies;
9. Train prospective and experienced school administrators;
10. Provide a loan fund to aid Cuban refugee students;
11. Meet educational needs of deprived children;
12. Provide additional educational assistance to Indian children in federally-operated schools;
13. Improve leadership resources of State education agencies;
14. Develop new agency for teacher training in metropolitan areas;
15. Retrain experienced teachers for service in desegregating schools;
16. Enable institutions to assist undergraduates' intensive study of a non-Western language;
17. Increase opportunities throughout the Nation for training in librarianship;
18. Support research on improved instruction in modern foreign languages and materials development and area studies;
19. Development and testing of educational innovations until ready for classroom use;
20. Conduct research in areas of physical education and recreation for handicapped children.

In addition to the 132 programs administered by the U.S. Office of Education, there are programs administered by other agencies. The School Lunch Program is administered by the Department of Agriculture. Programs for the education of native Indian children are administered by the Bureau of Indian Affairs. The National Science Foundation is responsible for most federal programs in science education. This list would be expanded even more if a broader definition of education were used.

The proliferation of categorical aids represents a federal policy which would have been rejected fifteen years ago when interstate equalization of public school resources was the role most commonly recommended for the Federal Government. This role called for general support for public schools, granting greater amounts per pupil to low-wealth states with virtually no federal direction over the expenditure of the granted funds.

This concept of the federal role is based upon an historical distrust of the concentration of power. In America, where diversity and the free marketplace of ideas are the dominant ingredients of our educational system, national controls seemed wholly inappropriate. Moreover, under state and local control, public schools have prospered. Local school boards generally have been highly respected, and local property taxpayers have contributed more than one-half of all school revenue. More innovative educational programs have been developed in the United States under state and local control of education than are generally found in nations that have nationally controlled systems of public education.

During this period, some states made great progress, while others lagged far behind. There were shocking differences in the level of education among the states. During World War II and during the Korean War, the number of young men who were unacceptable for military service because of educational deficiencies was intolerably great in some states.

A careful examination of the facts revealed that most of the states with inadequate schools were also the states in which personal income was far below the national average. In general, the people in those states were making as great an effort to finance their schools as were people in other states. They were devoting a fair share of their income to the support of schools, but the funds available to the schools were inadequate.

These facts indicated that the Federal Government should provide general support for public schools without federal control, granting larger amounts per unit of need to low-wealth states, precisely as state governments had done for local school districts. The assignment of this role to the Federal Government was based upon the assumption that the causes of inadequate schools are basically fiscal and that state and local school leadership exists, or can be found, that will make wise choices in the use of additional funds.

Despite these persuasive arguments for general purpose aid to the states for public schools, categorical grants-in-aid have proliferated beyond all expectation, ushering in a new kind of Federal control. Why? The U.S. Congress, consistently, has been vigilant in its opposition to Federal control of education and to the growth of a federal educational bureaucracy. Yet, during the 1960's, Congress enacted laws which created this complex assortment of categorical aids for education.

This abrupt shift in federal educational policy was accepted by some as an expediency—hopefully temporary in nature—to get needed federal dollars started. Efforts to enact laws granting federal general purpose aid to states for public schools encountered two insurmountable roadblocks—the school segregation issue and the church-school controversy. While it is possible to design federal categorical aids so that parochial schools receive some benefit, the United States Supreme Court has recently ruled that general purpose grants to parochial schools would probably violate the First Amendment to the U.S. Constitution.

To others, however, the new emphasis upon categorical aids for education is not a device for getting around historical roadblocks to general federal support funds. Instead, they are part of the "necessary revolution in American education." This view is expressed clearly in a publication of the U.S. Office of Education entitled, *Education 1967: A Report to the Profession*, which declared:

> The 88th and 89th Congresses, responding to the desires of the people, enacted laws enabling the Federal Government to take its place in the local-State-National educational partnership . . . Toward this end, the Congress has enacted 24 major pieces of education legislation in the past 3 years. These new laws are channels through which billions of federal tax dollars will go into our elementary schools, high schools, vocational schools, colleges, and universities.
>
> But this money is not simply handed out in the pious hope that it will be put to good use. Each of the education laws . . . is quite specific. Categories and conditions of aid have been established to insure that these funds are spent in an efficient and prudent manner.

The sharp distinction between the basic philosophy of those who favor federal general purpose aid without federal control and those who favor the new, highly controlled, categorical-aid approach is startlingly clear. During the months and years ahead, this issue will be sharply debated as Congress considers expansion of the categorical-aid system or shifts toward "block" grants.

EVALUATION OF FEDERAL CATEGORICAL-AID PROGRAMS[1]

To evaluate this complex assortment of federal educational programs, it is necessary to examine the purpose of each program and ask the question: *Is the purpose of the program worthy and appropriate for the Federal Government?*

In deciding what educational purposes are worthy and appropriate for the Federal Government, first consideration should be given to those educational problems which transcend state lines. Since educational deficiencies cannot be quarantined within state boundaries, educational isolationalism practiced by individual states cannot be sound national policy. The Federal Government clearly has a responsibility to act to strengthen public schools in all states. Only by so doing can a state be protected from the spillover effects of educational neglect in other states. Thus, one worthy and appropriate purpose of federal action is to make general purpose grants to states to supplement state and local funds and to encourage states to expend for public schools amounts needed to maintain an adequate basic school program for all children and youth who choose to attend the public schools.

In addition to this general concern for strengthening the total ongoing public school program in each state, the Federal Government has a special responsibility to assist in the education of disadvantaged children. This responsibility has its origins deep in the history of our country, although immediate concern arises partly from the large number of educationally disadvantaged families that have migrated from one state to another in recent years. Thus, a second worthy and appropriate purpose of federal action is to provide special purpose grants for compensatory or remedial education to assist states in educating disadvantaged children.

The Federal Government has increasingly accepted responsibility for reducing unemployment, and Congress has, in recent years, enacted a number of laws to this end. But unemployment cannot be eliminated without suitable vocational education programs in all states. In order to meet its responsibility for full employment, a worthy and appropriate purpose of federal action is to provide special grants to states for vocational education including vocational programs for adults.

The chief source of local revenues for public schools is the property tax. More than half of all revenues of public schools are derived from this source. The Federal Government is the largest property owner in the United States and its property is tax-exempt. This condition obviously leaves a large gap in the tax base of America's public schools. A worthy and appropriate purpose of federal action is to remedy this gap by making contributions to public schools to compensate for deficiencies in the school tax base resulting from the tax-exempt status of federal property.

In the past, the Federal Government has made contributions for the education of individuals for whom it accepts a special responsibility. The education of native Indian children is a case in point. More recently, contributions have been made for the education of veterans and for Cuban refugees. These obligations have been properly accepted by the Federal Government. It is, therefore, a worthy and appropriate purpose of Federal action to contribute toward the cost of education for veterans and for other individuals for whom the Federal Government has accepted a special responsibility.

For many years, the Federal Government has recognized that "promotion of the general welfare" includes assisting in the elimination of hunger, the improvement of the health of the nation, and in the assurance of an adequate and stabilized supply of food for the nation. These are certainly legitimate national purposes. The appropriation of federal funds for school food service programs, including school lunch, school milk, special assistance for the needy, nutrition education, distribution of surplus commodities, and similar programs are consistent with legitimate national purposes.

The National Educational Finance Project made no special study of federal appropriations for higher education, including junior colleges. However, more than 100 years ago, the Federal Government judged that the promotion of certain types of higher education was consistent with national purposes when the Morrill Act was passed. During recent years, numerous federal acts have provided financial assistance, not only for the higher institution, but also scholarships and loans for college students. If federal financial assistance for elementary and secondary education is consistent with national purposes, it seems that federal financial assistance to higher institutions and to students attending those institutions is also consistent with national purposes.

Common to all states is a need to improve education through research and development programs. If each state were to finance all of its own educational research and development, duplication of effort, excessive costs, or inadequate programs would be inevitable. Therefore, as a service to all schools, it is a worthy and appropriate purpose of federal action to finance research and development programs designed to improve the quality of education in all states.

These are all worthy and appropriate purposes for federal action in the field of education. Most of the current list of federal programs in education meet the test of worthiness of purpose. But this test alone is not enough; in addition, federal programs must be effectively administered. For this reason, it is necessary to ask a second question: *Are the administrative arrangements effective and conducive to sound federal-state-local relationships?*

If the federal-state-local partnership is to function to maximum advantage, the assignment of responsibilities to each partner must utilize the special strengths of each, while compensating for each one's weaknesses. Moreover, each partner must perform his duties without interfering unnecessarily with the essential contribution of the other two partners.

Historically and legally, the state government occupies a central role in the public school partnership. If the total public school program is to function effectively, the state must be in a position to coordinate federal programs with state and local programs, and to provide needed supervision and direction. For this reason, federal programs should not by-pass state governments; instead, federal grants for public schools should be made to state departments of education to be allocated to local schools by them in accordance with state plans. This arrangement not only respects the central role of state governments in the field of education, but also avoids excessive growth of the federal bureaucracy.

Over a period of years, states have developed elaborate plans for granting state funds to local school systems. More recently, as we have previously noted, the Federal Government has launched a number of categorical aid programs. Inevitably, some of the new federal programs duplicate the purpose of some existing state-aid programs. For example, some states have provided aid to local school districts for compensatory or remedial education. With the recent entrance of the Federal Government into this field, it may be in the best interest of education for the state to transfer some of its funds to other equally important purposes. To permit such flexibility in the use of state funds, when the Federal Government and a state grant funds to local school districts for the same or for closely related purposes, the federal grant should not be contingent upon continuation of the state grant. Only by preserving the right of the state to adjust its grant program can the state discharge its obligation to the overall education partnership.

The amounts of federal funds to which individual states or local school districts are entitled should be determined by objective formulas, reducing to a minimum discretionary power of federal officers in the allocation of school funds. Any grant-in-aid program which authorizes federal officers to use broad discretion in allocating school funds among states or local school systems will encourage political favoritism, and the proliferation of expert proposal and justification writers.

In order to promote the efficient use of federal funds and to encourage sound state and local planning, federal contributions should be generally predictable for long-range planning purposes and specifically for year-to-year planning. Effective use of federal grants not only requires planning, but also sufficient lead time to recruit personnel and obtain facilities and equipment. Boards of education should know at budgetmaking time the amount of federal funds they will receive during the ensuing year.

In the interest of effective administration and sound intergovernmental relations, the Federal Government should avoid having several departments grant funds for the same or closely related public school purposes. For example, in the field of vocational education there are several programs administered by different agencies making grants to local school systems. A-single federal program, working through a comprehensive state plan for vocational education, would avoid much confusion and would be more effective in achieving the purposes of the Federal Government.

The accounting and auditing safeguards for federal grant funds should utilize the procedures that the states require to safeguard their grants to local school systems. Although the U.S. Office of Education should continue to recommend public school accounting procedures, separate accounting and auditing procedures for federal funds should be superimposed on state requirements only if the latter are inadequate.

Moreover, although the Federal Government might, in the case of categorical grants, specify the purpose for which the funds are to be used, great freedom should be allowed to the local school system in selecting the method by which the purpose is to be achieved. This type of operational freedom is necessary if the local partner is to do his job effectively.

These criteria should be helpful in determining if the administrative arrangements of a federal program are effective and conducive to sound federal-state-local relations. However, if all federal programs in education have worthy and appropriate purposes and sound administrative arrangements, there is still the possibility that gaps exist in the total program. For this reason, it is necessary to ask a third question: *Does the combined effect of all federal programs promote the development of adequate public school programs in all states?* Evaluation of the Federal Government's activities in the field of education cannot be made by looking only at each individual program; in addition, the combined effect of all programs must be considered. It is only in this way that gaps can be detected and that the cumulative effect of various programs can be assessed.

Using this criterion raises serious questions about the effective operation of federal aid programs. There is evidence that the combined effect of numerous categorical aids has produced a deluge of red tape that has hampered public schools; that educational talent is being wasted in writing up applications for small amounts of federal money; that the emphasis upon innovataion, and the search for funds to subsidize it, has resulted in the neglect of programs which have proved valuable in the past. In short, there is a growing conviction that the expanding list of federal categorical aids has produced confusion, instability, and distortion of educational emphasis.

A final criterion to be used in evaluating federal categorical appropriations for education is: *Does the appropriation tend to disequalize the financial resources available for education among the states?* In order to meet this criterion the federal appropriation should either tend to equalize financial resources per pupil (or per unit of need) among the states or at least be neutral in its effect. Any appropriation which provides a greater amount of federal aid per pupil (or per unit of need) to the states of greatest wealth than to the states of least wealth has a disequalizing effect. The National Educational Finance Project made a careful analysis of the ten principal federal categorical aids to elementary and secondary education and found that all of these appropriations either had an equalizing or neutral effect on the financial equalization of educational opportunity except Title 2 of ESEA and that appropriation was a very small percent of the total (see Chapter 8 of Volume 4 of the National Educational Finance Project, entitled *Planning to Finance Education*).

Temporary Versus Continuing Programs

Some federal educational programs are intended to be temporary, but, like temporary buildings, they tend to persist beyond their planned termination dates. When a temporary program is established, a unit is created within the Federal Government to administer it. The employees of the unit tend to feel that their importance and their tenure of employment are related to the continuance of the program. Outside of the government, a lobbying group is formed to represent the program "beneficiaries." Often an association is formed and its employees acquire personal interests in the continuance of the program. Finally, in the local school system which receives federal funds under the temporary program, people are employed to provide the services required to accomplish the purposes of the program. These employees must be prepared to search for new jobs when the program is terminated. Understandably, they seek another job at a time convenient to them, creating staffing problems for the program.

For these reasons, as well as the value of the program itself, temporary programs are often continued beyond their usefulness. Temporary categorical grants are intended to provide a financial stimulant for selected programs or items in the school budget. These grants often provide temporary aid to try out new ideas. The grant programs are expected to terminate and not become part of the continuing school support program. Title II of the Elementary and Secondary Education Act of 1965 and some of the titles of the National Defense Education Act are of this type.

On the other hand, continuing categorical grants are intended to finance, on a continuing basis, selected high cost school programs such as vocational education, compensatory education, and school lunches. These federal grant programs cannot be terminated without curtailing public school programs which contribute to important national goals. The programs supported in this way are usually above average in per student cost and are often related to other concerns of the Federal Government (e.g., vocational education to full employment; compensatory education to the war on poverty).

This distinction between temporary and continuing categorical federal grant programs suggests what the "next steps" should be. First, definite plans should be made to terminate temporary categorical aid programs when they have served their purpose and, second, the continuing categorical grant programs should be consolidated.

If temporary programs are excluded, it should be possible to consolidate continuing categorical aids into a few major "blocks" such as:

1. Vocational education
2. Education of children from low-income families
3. Compensation to schools for federal tax-exempt property
4. Education of handicapped children
5. School food service
6. Educational research and development

With the consolidation of continuing categorical aids into major blocks, it should be possible to simplify application and reporting procedures under approved state plans. Along with these consolidated continuing grants-in-aid, it is necessary to have a few temporary aid programs directed at specific national problems, such as devising better ways for schools to combat drug abuse among young people. Such temporary grants-in-aid, however, should be held to a minimum because they often lead to inefficient planning and unjustifiable efforts to make them permanent.

AID TO FEDERALLY-AFFECTED SCHOOL DISTRICTS

One rationale for federal grants-in-aid for education is that the Federal Government should compensate states and school districts for deficiencies in the school tax base. Under this concept of the federal role, federal payments are based upon inadequacies of the school tax base. For many years, the Federal Government has compensated local school districts and other local units of government for deficiencies in the property tax base resulting directly from federal ownership of property.

Three distinctly different methods have been used to determine the amounts of payments to be made to school districts, or to other local units of government, to compensate for gaps in the property tax base created by the tax-exempt status of federal property. First, payments-in-lieu-of-taxes based upon the value of the federal property multiplied by a local tax rate are paid by the Federal Government for some types of tax-exempt property. This method of determining the federal payment parallels the methods used to determine the tax obligation of owners of private property, but it is used for only a few types of federal property. Moreover, some federal laws authorizing payments-in-lieu-of-taxes exclude the value of improvements made by the Federal Government in determining the amount to be paid. For example, payments-in-lieu-of-taxes paid by TVA are based upon tax losses incurred by local governments as a result of the acquisition by the Federal Government of property which formerly was taxable. The value of dams and power plants constructed by TVA is not considered in determing the payment. The limitations of this approach are obvious.

If the federal project becomes a basic industry employing thousands of people, large sums of tax funds will be needed by local jurisdictions to build and maintain schools, sewers, and streets. If the federal payments-in-lieu-of-taxes are based upon the value of the unimproved land, the payments will be grossly inadequate to finance the local governmental needs for the expanded population. On the other hand, the exclusion of improvements in determining the amount of the payments is often justified. For example, a costly isolated missile base requiring no public services should not be the basis for a large payment-in-lieu-of-taxes, since the funds would not be needed for schools and local governmental services. In such cases, exclusion of the value of the improvements made by the Federal Government seems reasonable enough.

A second approach to the problem is found in several federal laws relating to public land. For example, 12.5 percent of the revenue derived from grazing fees collected in national grazing districts and 50 percent of the grazing fees collected for other federal lands are paid to states in which the lands are located. Similarly, 37.5 percent of revenues collected by the Bureau of Land Management for rentals and royalties from mineral rights on federal lands are paid to the state in which leased federally-owned mineral lands are located. Under another law enacted in 1908, 25 percent of all revenues derived from the sale of timber and other rights on national forests are paid to states for the benefit of schools and roads in the county in which the forest is located.

This method of determining a federal payment avoids the problem of determining the value of federally-owned property, since payments are based strictly upon the earnings of these properties. However, payments show a marked irregularity from year to year, creating windfalls some years and virtually no revenues in others. For this reason, it is difficult to incorporate these funds into sound budgeting and planning practices by school districts and other local governments. Thus, payments based upon annual earnings are not related to need and are not conducive to efficient use by the recipients.

The third, and perhaps most satisfactory, method of determining payments-in-lieu-of-taxes for school districts is found in Public Laws 815 and 874 enacted in the fall of 1950. These laws stem from an extensive study of school problems in "federally-affected areas" by the House Committee on Education and Labor. These investigations convinced members of the Committee that public schools located near tax-exempt federal installations are unable to maintain satisfactory educational programs unless the federally-owned housing and places of employment in the area contribute a fair share toward the cost of constructing and operating public schools. Taxes levied upon privately-owned residences, many of which were modest in value, could not be expected to make up entirely for the failure of a federally-owned basic industry, such as a tax-exempt navy yard, to pay its fair share of the local tax requirements of the school district.

Based upon these findings, the United States Congress in 1950 enacted Public Laws 815 and 874. The purpose was not only to compensate school districts for gaps in the property tax base resulting from the tax-exempt status of federal property, but also to assure that good public schools would be available near military and other federal installations.

The method of determining federal payments under Section

3 of Public Law 874 to local school districts recognizes the tax-exempt status of federally-owned properties and the basic justification for the payments. But under this section of the law, which is the basis for 99 percent of all payments to school districts under Public Law 874, the presence of tax-exempt property alone is not sufficient to justify the federal payment. In addition, there must be children attending public schools who either live on, or whose parents are employed on, the federal tax-exempt property. In this sense, the method of determining the payment is related to the burden on public schools associated with the federal activity.

No "means test" is employed; and the federal payment is regarded as an entitlement of the school district. Thus, the Federal Government assumes the responsibility of paying local school "property taxes" for both the residential and industrial property it owns. The amount it pays is not related directly to the value of the federal property, but rather to the number of public school children associated with it. Since no means test is employed, these federal contributions are often made to "wealthy" school districts, violating a concept that federal payments should only be made to school districts which demonstrate need. This would not be an objectionable feature of this Act if the states utilizing the equalization method of apportioning state funds were permitted to charge back against the districts receiving such funds the same percentage of local funds that is charged back under their apportionment formulas. Unfortunately, recent amendments prohibit this policy.

REVENUE SHARING AND FEDERAL AID TO EDUCATION

Numerous proposals have been advanced for the sharing of federal revenue with the states. Following are some factors that have caused interest in federal revenue sharing:

1. The Federal Government collects approximately two-thirds of all tax revenue.
2. The federal tax structure is more responsive to the economy than state and local tax structures.
3. The federal tax structure is less regressive than state and local tax structures.

4. Federal taxes eliminate tax competition among the state and local governments.
5. The great increase in state and local taxes during the past two decades has created major opposition in many places to further increases in state and local taxes.
6. The rapid urbanization of American society accompanied by the development of extra governmental costs in the core cities without compensating increases in taxpaying ability has created serious financial difficulties in many cities.

The impact of federal revenue sharing on the public schools depends largely on the type of the plan and the amount of funds provided.

Let us assume that Congress has decided to share a certain percent of federal revenue with the states and it has the following alternatives under consideration:

1. *Plan A*. All of the federally shared revenue is allocated to the states on a population basis with no federal requirements with respect to its allocation to governmental services. States at present vary widely in the percent of state revenue allocated to the public schools. With no federal requirement with respect to the percent of the shared federal revenue to allocate to the public schools, the states would undoubtedly vary widely in the percent of the shared federal revenue allocated to the public schools. Therefore, no estimate could be made of the financial impact of shared federal revenue in each state under Plan A.
2. *Plan B*. A fixed percent of the shared federal revenue would be allocated to the states on a population basis and a fixed percent to the large cities either on a population basis or on the basis of municipal taxes paid. The percent of shared federal revenue allocated to the states under Plan B would have the same financial impact on the public schools as Plan A. The financial impact on the public schools of the federal revenue shared with the great cities would be still more difficult to analyze. Some cities do not share municipal revenue with the public schools and the cities that do share such revenue vary widely in the percent of municipal revenue allocated to the public schools. In some states the boundaries of the school district are

not coterminous with those of the municipality. This is especially significant in a school district county unit state such as Florida. Therefore, it is impossible to assess the financial impact on the public schools of federal revenue shared with the cities.

3. *Plan C.* Shared federal revenue is allocated to the states on the basis of population with the requirement that a fixed percent be allocated to the public schools. It would be possible to estimate the amount of the shared federal revenue that would be allocated to the public schools under Plan C once the total amount of federal revenue to be shared with each state is determined and the percent to allocate to the public schools is also fixed. For example, let us assume that it has been determined that $18,000,000,000 of federal revenue will be shared with the states in a given fiscal year and that each state must allocate a minimum of 40 percent of this revenue to the public schools. This equals $7,200,000,000 or slightly more than 20 percent of state and local revenue for the public schools in 1969-70. Assuming that each state allocates exactly 40 percent of the shared revenue, Plan C for shared federal revenue would have roughly the same financial impact on the public schools as Plan II for general federal aid analyzed in Tables 2 and 5. The principal difference would be that under Plan C, federal funds would be allocated on the basis of total population and under Plan II on average daily membership in the public schools. If some states allocated to the public schools more than the required minimum of 40 percent of shared federal revenue, then the public schools would receive more federal revenue under Plan C than Plan II.

Congress, of course, could consider numerous other alternatives for allocating shared federal revenue. The principal issues are:

1. How much federal revenue should be shared?
2. How much control over the allocation of shared federal revenue to competing governmental services should be exercised by the Congress?

As already pointed out above, the public schools should receive at least 22 percent and preferably 30 percent of their total revenue from the federal government in order for the schools to have an adequate tax base and in order for the federal government to accomplish legitimate and appropriate federal purposes. Therefore, any long range revenue sharing plan which would assure the public schools substantially less than the 22 to 30 percent of total revenue would be inadequate.

If the Congress wishes to exercise no control whatsoever over the allocation of shared federal revenue to various state and local governmental functions in the states, then Plan A would be the preferred plan.

If Congress wishes to assure that the cities will receive what Congress deems to be an appropriate portion of shared federal revenue and Congress is not concerned about the amount of the shared federal revenue that will be allocated to the public schools, Plan B would be the preferred plan.

If Congress wishes to assure that the public schools will receive what it deems to be an appropriate percentage of shared federal revenue and it is not concerned about the amount of the shared federal revenue that would be allocated to the cities, Plan C would be the preferred plan.

If Congress wishes to assure that both the public schools and the cities receive what it deems to be appropriate percentages repectively, of federal shared revenue, then a combination of Plans A, B and C would be the preferred plan. Under such a plan, the Congress would determine the percentage of the federal shared revenue to be allocated to the public schools, the percentage to be allocated to the cities and the percentage to be allocated to the states to be appropriated for such governmental services as determined by the respective state legislatures.

Insofar as the public schools are concerned, Plan C or a combination of Plans A, B and C would provide the most favorable financial impact on the public schools, assuming that the amount of federal revenue shared with the states is adequate to substantially accomplish the purposes of federal aid to the schools. It is beyond the scope of this report to analyze all plans that have been proposed for revenue sharing. Almost any plan for federal revenue sharing under which federal revenue is collected nationwide and distributed back to the states by some objective measure of need such as population will have a desirable financial impact on public school financing, provided the amount of revenue shared is substantial. Any such plan has an equalizing effect by redistributing income. Some plans, of course, would provide more financial assistance to the public schools than others. About the only type of revenue sharing plan that would be of no financial assistance to the public schools nationwide is a plan under which the federal government allocated back to each state a uniform percentage of the federal revenue collected in that state. Such a plan would have no equalizing effect whatsoever.

GENERAL PURPOSE GRANTS-IN-AID TO STATES FOR EDUCATION

Proposals for general purpose federal grants-in-aid for public elementary and secondary schools have been presented to the U. S. Congress regularly for more than a third of a century. With equal regularity, the Congress has declined to enact a general support program for public schools. During recent years, however, there has been renewed interest in "block grants" for education as well as proposals to share federal revenues with state governments. These proposals reflect a general concern that federal fiscal dominance has led to a highly centralized control of public services. They are intended to strengthen decentralized control of education and other public services.

Federal grants for vocational education, compensatory education, special education, and research and development are not sufficient to produce needed improvements in elementary and secondary education. In addition to these "block grants," federal action is needed to increase general purpose income available for elementary and secondary schools.

One approach to the problem is to relieve states of other burdens, especially welfare costs, so that they will have sufficient funds to support education. While such federal action would aid states materially, it probably would fall short of assuring an adequate financial base for elementary and secondary schools in all states. Even if this approach is supplemented with a revenue sharing program, adequate educational programs in all states would not be achieved unless part of the shared revenues were earmarked for education.

In considering proposals for general federal aid for education, three approaches or plans and one combination plan are analyzed:

1. Plan I - The national foundation program financed from a combination of federal, state and local funds.
2. Plan II - Equal federal grants per student with no requirement of state and local effort to support education.
3. Plan III - Equal federal plan grants per student for equal state and local effort in proportion to ability.
4. Plan IV - A combination of Plan I and Plan II.

Each of these approaches emphasizes different federal purposes.

Following are some of the principal purposes of general federal aid:

1. To equalize educational opportunity among the states.
2. To transfer the administration and control of federal aid from Washington to the states.
3. To relieve the state and local tax burdens of all states.
4. To stimulate or at least preserve state and local effort to finance education.
5. To develop a plan which is politically acceptable in all or most states.

In the following sections of this chapter, these three approaches and one combination approach to general federal aid are presented and analyzed in terms of these purposes. In order to compare these three approaches, tables are presented showing the impact of each approach on all 50 states. In order to make these three approaches comparable, approximately the same amount of federal aid is allocated under each formula and applied to data for 1969-70. The total amount of general federal aid used to demonstrate the impact of each of these formulas was calculated at approximately 20 percent of state and local revenues for the public schools for 1969-70. The figure of 20 percent of state and local revenue was selected for the following reasons: (1) the federal appropriation must be at least 20 percent of state and local revenue for schools in order to effectively accomplish the principal purposes of general federal aid and (2) such a percentage figure or a higher figure could be written into the general federal authorizing act thus providing a long range plan for determining the federal appropriations for general federal aid.

Plan I—The National Foundation Program

In this approach to federal support for public schools, each state would receive a federal contribution based upon its need.

Obviously, the need could not be based upon the actual deficit in the public school budget. Such an approach would encourage states to spend more and allocate less state and local tax funds to public schools.

When the foundation program approach is suggested, it is assumed that objective formulas can be developed to determine: (1) the amount of money a state needs annually to provide suitable schooling for all public school students, and (2) the amount of money a state should be expected to provide annually from state and local sources for this purpose. The difference between these two sums for each state determines the amount of federal aid it needs.

Various formulas for determining the amount a state needs to spend for public schools and the amount it should be expected to raise from state and local sources have been suggested. The simplest formula is obtained by assuming that each state (1) needs to spend the same amount per public school student, and (2) should contribute annually for this purpose the same percent of its total personal income payments.

To illustrate the operation of such a formula, let the needed annual expenditure rate be $800 per student and the expected state contribution rate be 4 percent of its total personal income.[2] The amount of federal funds needed in each state under this formula, based on 1969 personal income and 1969-70 A.D.M., is calculated in Table 8-1. Some states would receive no federal payments under this plan, since 4 percent of their personal income exceeds $800 per pupil. The total amount of federal aid required for such a national foundation program is $7,160 millions. The federal contribution under such a foundation program would have been approximately 20 percent of state and local school revenues in 1969-70. The amount of federal funds required would, of course, be less if the $800 per student were reduced, or if the 4 percent state contribution rate were raised to 5 percent. This plan is identical to the Strayer-Haig formula for apportioning state funds described in Chapter 10 of this volume.

Such adjustments in the formula fail to resolve certain other issues—the implied assumption (1) that the average cost per student of suitable education is the same in all states, and (2) that the states of greatest wealth should receive little or no general federal revenue for the public schools despite the fact that such states pay the greatest amount of federal taxes per capita.

Actual expenditure rates per student differ greatly from state to state primarily because salaries paid school employees differ greatly. In the state with the greatest personal income per capita, the average annual salary of public school teachers is approximately twice the average annual salary paid in the state with the lowest income per capita.

One interpretation is that since per capita income measures the prevailing average wage rates for all workers in a state, teachers tend to occupy similar positions within the salary hierarchy in each state. Under this interpretation, differences in teachers' salaries and other school employees reflect general wage rates in each state and can be expected to continue until there has been a change in per capita income and the prevailing wage rates in the state.

This line of reasoning would seem to imply that low income states should provide low quality schools for their children assuming that there is a relationship between the quality of education and the expenditure level. Numerous studies have shown that the low per pupil expenditure states on the average have a considerably higher percent of draftee rejections because of educational deficiencies than the high expenditure states.

A different interpretation stresses per capita income as a measure of fiscal capacity. Under this interpretation, teachers are underpaid in the low per capita income states, not because they are paid in accordance with prevailing wage rates, but be[illegible] the state has an inadequate school tax base due to poverty. [illegible] this analysis is correct, then it is appropriate to ask the federal government to compensate for deficiencies in the school tax base by providing substantial amounts of general aid for low income states. Some would recommend that the federal government provide sufficient funds to assure an acceptable level of education in all states. Such a program would substantially reduce the present wide differentials among the states in teachers' salaries.

If it is assumed that the per pupil cost of education for an *equal quality of education* varies among the states, it should be possible to determine by research what causes those differences and what cost differentials should be provided. Such differentials might be due to difference in cost of living or differences in sparsity or density of population or possibly other factors. The National Educational Finance Project did not have the resources to undertake that research. However, it should be technically possible to solve this problem.

In Chapter 6 of this volume, it is pointed out that the cost per pupil for certain target populations such as vocational students, the handicapped and the culturally disadvantaged is considerably higher than for other students. It has already been recommended in this chapter that the federal categorical aids for these high cost students be continued. If the federal categorical appropriations for these high cost pupils are adequate, there is no need to provide for cost differentials for these target populations in the general federal aid appropriation.

It will be noted that under the national foundation program computed in Table 8-1, high income states, though they are paying the greatest amount of federal taxes per capita, would receive little, if any, federal aid. This form of general purpose aid for elementary and secondary schools was widely supported during the 1930's and 1940's when the per capita income of New York (the state of greatest wealth) was four times as great as in Mississippi, the state of least wealth. Now the ratio between the per capita income in New York and Mississippi has been reduced to 2 to 1. Furthermore, a generation ago, the public school systems and governmental services generally of the wealthy urban states were considered satisfactory and the tax burden for state and local governments in those states was not considered heavy. However, that situation has changed. With the rapid urbanization of American society and the concentration of low income and disadvantaged persons in the core cities, the costs of state and local government, including the public schools, have increased enormously in those states and tax burdens have become onerous. Furthermore, governmental services, including the public schools are not now considered adequate in these states.

For this reason, a federal aid program which fails to increase financial support for schools in the so-called wealthy urban states falls short of national goals at this time.

Summarizing, the national foundation program approach equalizes the financial resources available per pupil better than any other approach. In 1969-70, the state, local and federal categorical revenue available per pupil ranged from a high of $1,325 to a low of $523, a ratio of 2.53 to 1. Table 8-5 shows that Plan

I, the national foundation approach, (assuming that general federal aid would be equal to approximately 20 percent of state and local revenue) would have provided a total of $1,325 per pupil from state, local and federal categorical and federal general aid in the state with the most revenue per pupil and $844 per pupil in the state with the least revenue, a ratio of 1.57 to 1. A comparison of each of the plans analyzed is presented in Table 8-5.

The national foundation approach would also tend to transfer the control of federal aid from Washington to the states. However, the national foundation program approach would not relieve state and local tax burdens in all states, nor would it stimulate state and local effort in all states because under this approach, a number of states would receive little or no federal aid. Furthermore, there is but little reason to believe that this approach would be politically acceptable because of the reasons pointed out above. Therefore, the national foundation program approach would fail to accomplish a number of important federal purposes.

Plan II—Equal Federal Grants per Student with No Requirement of State and Local Effort

The simplest plan for providing federal aid to the states for the general support of elementary and secondary schools is to grant each state an equal amount per student without reference to variations in taxpaying ability or effort. If the amount provided on this basis is substantial, then considerable equalization of public school support among states would be achieved.

Under such a plan, all states would start with unequal amounts of state and local funds per student, and then each state would receive an equal amount per pupil in general federal aid. This approach would reduce the ratio between the funds available per pupil in the state of greatest wealth to the funds available per pupil in the state of least wealth but not as much as under the national foundation program plan. Table 8-5 shows that under the national foundation program plan, the ratio of funds available per pupil in the most wealthy state to the state of least wealth was 1.57 to 1 and under the equal grant amount of general federal aid, the ratio would be 2.18 to 1. Table 8-2 shows the allocation to each state under Plan II.

Moreover, the high income states, through the operation of the progressive federal income tax, would contribute in federal taxes much more than they would receive, while the low income states would receive more than their citizens contribute to the federal government in taxes.

Attention has been directed in the previous section of this chapter that states vary considerably in per capita income and also they probably vary somewhat in the cost of living. Generally speaking the high per capita income states are also the states with the highest living costs. Therefore, a flat grant of an equal amount per pupil probably over allocates in terms of living costs to the states of least wealth but it also over allocates to the states of greatest wealth in terms of taxpaying ability. Therefore, the flat grant formula of an equal amount per pupil tends to be partly self corrective although variations in the cost of living among the states are no doubt considerably less than variations in taxpaying ability.

Summarizing, Plan II provides for some equalization of financial resources among the states but not nearly as much as Plan I, it transfers the administration and control of federal aid from Washington to the states, it relieves state and local tax burdens in all states as well as or better than any other plan, it does not stimulate or preserve state and local effort to finance education and it is perhaps as politically acceptable or more acceptable than any of the plans analyzed.

Perhaps the greatest weakness of this plan is the inherent danger that states might gradually reduce their contribution to public school support, making public schools increasingly a federal responsibility and perhaps even reducing the total revenue available for the support of the public schools in some states.

To avoid this danger, the equal federal grant for equal effort in proportion to ability plan is suggested.

Plan III—Equal Federal Grant Per Pupil for Equal Effort in Proportion to Ability[3]

The federal government could provide an incentive to the states for making a reasonable effort in relation to their ability to support their public schools from state and local funds. It has been argued that the personal income a state has available to support education is the net personal income available after providing for at least the subsistence of all of its citizens and after paying federal personal income taxes (see Chapter 4 of this volume). It has also been argued for example, that a state with a total population of five million, and a school enrollment of one million and total personal income of 12 billion has less taxpaying ability than a state with a total population of 4 million, a school enrollment of one million and a total personal income of $12 billion. This seems reasonable because one of these states has one million more population than the other state for whom at least subsistence must be provided. The measure of ability described in Chapter 4 of this volume and applied to Plan III in this section meets these objections because net income is computed by this method by deducting $750 per capita for subsistence and also deducting federal personal income taxes paid. It could well be argued that this measure of net income could be improved by deducting a more realistic figure, such as $1,200 per capita, for subsistence. It could also be argued that the per capita subsistence cost varies among the states due to variations in the cost of living. This is no doubt true and with adequate research, defensible variations among the states in per capita costs of subsistence could be determined.

Plan III, shown in Table 8-3, simply provides that each state is allotted $158 per pupil in average daily membership by the federal government if it makes a state and local tax effort to support its schools equal to or greater than 6.24 percent of net income which was the average effort made by the states in 1969-70. If a state makes an effort of less than 6.24 percent of its net income, it would receive proportionately less. For example, in 1969-70, Alabama made only 88 percent of the national average effort to support its schools and under Plan III, it would receive only 88 percent of $158 per pupil or $139. It is not suggested under Plan III that the national average effort of the states be computed each year but rather that the Congress would set some figure, for example 6.5 percent of net income as the minimum effort each state would be required to make in order to obtain its full allotment of federal funds. This provision should stimulate the states to preserve a reasonable state and local effort to support schools if the federal government provides from 20 to 30 percent of school revenue. The greater the proportion of federal revenue provided, the greater would be the incentive to continue state or local effort under Plan III.

Plan III would provide an even more powerful incentive for the state and local governments to preserve and even increase state and local effort to support education if no limit is placed by the federal government on the percent of personal income allocated to education it would reimburse. If no limit were placed on the reimbursable percentage of income, the states might be encouraged to make a misallocation of resources simply to obtain more federal funds because without a limit, the more state and local funds a state expended on education, the more federal funds it would receive. It is sound public policy for the federal government to require the states to make a reasonable effort in proportion to ability to finance a governmental service which is jointly funded as a condition of receiving federal funds. However, it does not seem to be sound public policy for the federal government to allocate federal funds for any governmental service such as highways, welfare, education, etc. on the basis of "the more you spend, the more federal funds you get." It would seem to be sound public policy to allocate available public funds among competing governmental services on the basis of relative needs and anticipated benefits.

Summarizing, Plan III equalizes financial resources per pupil among the states about as well as Plan II but much less than Plan I, it transfers the administration and control of state aid from Washington to the states as well as any plan, it relieves state and local tax burdens in all states proportionally as much as Plan II and more uniformly than Plan I, it stimulates all states to preserve state and local effort to support education and is more politically acceptable than Plan I. Plan III should be politically as acceptable or even more acceptable than Plan II. It might be argued that neither Plan III nor any of the other plans presented for allocating general federal aid relieve state and local tax burdens because all of these plans assume continued state and local effort which would be supplemented by general federal aid. It is not anticipated that any of these plans would result in a reduction of present state and local effort to support education. However, it is assumed that the need for further increases in state and local taxes, in order to meet increasing school costs, will not be so urgent if the federal government provides an appropriation for general aid, at least equivalent to 20 percent of state and local revenues for the public schools.

Plan IV—A Combination of Plan I and Plan II

Under this plan, one-half of the federal appropriation for general aid would be apportioned under Plan I and one-half under Plan II. Table 8-4 shows the allocation that would be received by each state under this plan. Table 8-5 shows that the 1969-70 ratio of revenue per pupil in the state with the greatest revenue per pupil to the state with the least revenue would be reduced from 2.53 to 1 to 1.72 to 1 under Plan IV.

Analyzed in terms of some of the principal purposes of federal aid: Plan IV provides for more equalization of financial resources among the states than Plan II or Plan III but less than Plan I, it transfers the administration and control of federal aid from Washington to the states; it provides some relief of the burden of state and local taxes in all states but not as uniformly as Plans I and II, it provides some stimulus for preserving state and local effort but not as great a stimulus or as uniformly as Plan III; it is probably more politically acceptable than Plan I but probably not as politically acceptable as Plans II and III.

Other Alternative Plans for Allocating General Federal Aid

A large number of alternative plans for apportioning general federal aid could be developed from various combinations of the alternatives analyzed above. For example, Plan V might be the allocation of one-half of the federal appropriation on the basis of Plan I and one-half on Plan III. No table is presented for showing the impact of Plan V on the states. However, Plan V could be evaluated as follows: It would provide for about the same equalization of financial resources as Plan IV, more than Plans II and III but less than Plan I; it would transfer the administration and control of federal aid from Washington to the states as well as any plan analyzed; it would relieve state and local tax burdens of all states as well as Plan IV, better than Plan I but not as much as Plans II and III; it would stimulate the preservation of state and local effort to finance education in all states more than Plans I, II and IV but not as much as Plan III; and it would probably be more politically acceptable than Plan I, equally acceptable as Plan IV, but probably less politically acceptable than Plans II and III.

What is the best plan for apportioning general federal aid

TABLE 8-1

PLAN I—FEDERAL CONTRIBUTION TO EACH STATE, BASED ON A NATIONAL FOUNDATION PROGRAM OF $800 PER PUPIL, WITH A LOCAL CONTRIBUTION EQUAL TO FOUR PERCENT OF 1969 STATE PERSONAL INCOME (DOLLARS IN MILLIONS)

State	*1969-1970 ADM in Public Elem. & Sec. Schools (in thousands)*	*ADM × $800*	*4% of Personal Income*	*Federal Contributions*[c]	*Federal Contribution Per Pupil in ADM*
U. S. TOTAL	45,100[a]	$36,080	$29,628	$7,160	
Alabama	820	656	365	291	355
Alaska	77	62	50	12	156
Arizona	417	334	228	106	254
Arkansas	436	349	199	150	344
California	4,925	3,940	3,336	604	123
Colorado	534	427	303	124	232
Connecticut	640	512	551	0	0
Delaware	129	103	89	14	109
Florida	1,408	1,126	896	230	163
Georgia	1,098	878	570	308	281
Hawaii	179	143	122	21	117
Idaho	185[b]	148	85	63	341
Illinois	2,232	1,786	1,894	0	0
Indiana	1,274	1,019	755	264	207
Iowa	654	532	395	137	209
Kansas	496	397	324	73	147
Kentucky	692	554	368	186	269
Louisiana	843	674	417	257	305
Maine	239	191	119	72	301
Maryland	884	707	613	94	106
Massachusetts	1,132	906	909	0	0
Michigan	2,141[b]	1,713	1,400	313	146
Minnesota	913	730	538	192	210
Mississippi	559	447	209	238	426
Missouri	976[b]	781	643	138	141
Montana	173	138	87	51	295
Nebraska	329	263	209	54	164
Nevada	122	98	81	17	139
New Hampshire	149	119	100	19	128
New Jersey	1,449	1,159	1,212	0	0
New Mexico	276	221	115	106	384
New York	3,449	2,759	3,255	0	0
North Carolina	1,171	937	601	336	287
North Dakota	147	118	74	44	293
Ohio	2,399	1,919	1,606	313	130
Oklahoma	606	485	313	172	284
Oregon	467	374	290	84	180
Pennsylvania	2,320	1,856	1,727	129	56
Rhode Island	178	142	141	1	6
South Carolina	640	512	281	231	361
South Dakota	165	132	80	52	315
Tennessee	880	704	448	256	291
Texas	2,598	2,078	1,458	620	239
Utah	302	242	125	117	387
Vermont	103	82	57	25	243
Virginia	1,063	850	618	232	218
Washington	823	658	524	134	163
West Virginia	397[b]	318	189	129	325
Wisconsin	926	741	615	126	136
Wyoming	85	68	43	25	294

a—estimated by NEA Research Division.

b—estimated by staff, based on ADA figures for 1969-1970.

c—Total for states which would get funds. No state is credited with a negative amount. Hence, this is more than U. S. total ADM x $800 minus 4% of U. S. personal income, which is only $6,452 million.

SOURCES: *Column 2*: Research Division, National Educational Association, *Estimates of School Statistics, 1970–71* (NEA: Washington, D.C., 1970) Table 3, column 5. *Column 3*: Column 2 multiplied by $800. *Column 4*: Personal Income multiplied by 4 percent. Personal Income for 1969 obtained from U. S. Department of Commerce, Office of Business Statistics: *Survey of Current Business*, (Washington, D.C.: U. S. Government Printing Office) Volume 50, No. 8, August 1970, p. 34. *Column 5*: Column 3 minus column 4.

assuming that approximately the same amount of federal revenue is received by the states from each plan? Obviously the *best* plan can be determined only in terms of the purposes desired to be served by general federal aid and the relative priority assigned to each purpose. It is the responsibility of the people exercised through their elected officials serving at the federal level to make these determinations. Insofar as the public schools are concerned, they would be greatly benefited by any alternative plan of apportionment analyzed above or any combination thereof provided that the amount of general federal aid appropriated would be equal to or greater than the minimum amount suggested in this

TABLE 8-2

PLAN II—EQUAL GRANT OF $158 PER PUPIL IN ADM WITH NO REQUIRED STATE AND LOCAL EFFORT

State	*Total Contribution $158 Times ADM of Each State (in millions)*	*State*	*Total Contribution $158 Times ADM of Each State (in millions)*
(1)	*(2)*	*(1)*	*(2)*
U. S. TOTAL	$7,122		
Alabama	130	Montana	27
Alaska	12	Nebraska	52
Arizona	66	Nevada	19
Arkansas	69	New Hampshire	24
California	778	New Jersey	229
Colorado	84	New Mexico	44
Connecticut	101	New York	545
Delaware	20	North Carolina	185
Florida	222	North Dakota	23
Georgia	173	Ohio	379
Hawaii	28	Oklahoma	96
Idaho	29	Oregon	74
Illinois	353	Pennsylvania	367
Indiana	201	Rhode Island	28
Iowa	103	South Carolina	101
Kansas	78	South Dakota	26
Kentucky	109	Tennessee	139
Louisiana	133	Texas	410
Maine	38	Utah	48
Maryland	140	Vermont	16
Massachusetts	179	Virginia	168
Michigan	338	Washington	130
Minnesota	144	West Virginia	63
Mississippi	88	Wisconsin	146
Missouri	154	Wyoming	13

TABLE 8-3

EQUAL GRANT PER PUPIL FOR EQUAL EFFORT IN PROPORTION TO ABILITY

State (1)	*State and Local Revenue for the Schools as a Percentage of Net Personal Income*[a] (2)	*Relative Effort of Each State*[b] (3)	*Federal Grant Per Pupil*[c] (4)	*Total Federal Grant*[d] *(in thousands)* (5)
U. S. Total	6.24	1.00	158	7,125,800
Alabama	5.50	.88	139	113,980
Alaska	6.21	1.00	158	12,166
Arizona	7.71	1.24	158	65,886
Arkansas	6.15	.99	156	78,016
California	6.48	1.04	158	778,150
Colorado	6.61	1.06	158	84,372
Connecticut	5.64	.90	142	90,880
Delaware	7.19	1.15	158	20,382
Florida	6.33	1.01	158	222,464
Georgia	5.74	.92	145	159,210
Hawaii	6.37	1.02	158	28,282
Idaho	7.13	1.14	158	29,230
Illinois	5.39	.86	136	303,552
Indiana	6.55	1.05	158	201,292
Iowa	7.03	1.13	158	103,332
Kansas	6.67	1.07	158	78,368
Kentucky	5.74	.92	145	100,340
Louisiana	7.45	1.19	158	133,194
Maine	6.45	1.03	158	37,762
Maryland	6.76	1.08	158	139,672
Massachusetts	5.22	.84	133	150,556
Michigan	6.44	1.03	158	338,436
Minnesota	7.36	1.18	158	144,254
Mississippi	7.84	1.26	158	88,322
Missouri	5.52	.88	139	135,664
Montana	8.06	1.29	158	27,334
Nebraska	5.00	.80	126	41,454
Nevada	5.93	.95	150	18,300
New Hampshire	5.37	.86	136	20,264
New Jersey	5.72	.92	145	210,105
New Mexico	8.90	1.43	158	43,608
New York	6.99	1.12	158	544,942
North Carolina	5.89	.94	149	174,479
North Dakota	7.14	1.14	158	23,226
Ohio	5.30	.85	134	321,466
Oklahoma	5.66	.91	144	87,264
Oregon	8.02	1.29	158	73,786
Pennsylvania	6.15	.99	156	361,920
Rhode Island	5.15	.83	131	23,318
South Carolina	6.66	1.07	158	101,120
South Dakota	5.91	.95	150	24,750
Tennessee	5.86	.94	149	131,120
Texas	5.43	.87	137	355,926
Utah	8.40	1.35	158	47,716
Vermont	7.53	1.21	158	16,274
Virginia	6.28	1.01	158	167,954
Washington	6.25	1.00	158	130,034
West Virginia	7.63	1.22	158	62,726
Wisconsin	6.61	1.06	158	146,308
Wyoming	6.54	1.05	158	13,430

[a] See Chapter 4 of this volume for the method of computation.
[b] Column 2 ÷ 6.24.
[c] Column 3 not in excess of 1.00 times $158.
[d] Column 4 times the ADM of each state.

TABLE 8-4

PLAN IV—APPROXIMATELY ONE-HALF OF FEDERAL APPROPRIATION ON BASIS OF FLAT GRANT OF $79 PER PUPIL AND ONE-HALF OF THE NATIONAL FOUNDATION PROGRAM BASIS

	Flat Grant	*National Foundation Program of $695*				
	ADM of 1969–70 × $ 79	*ADM of 1969–70 × $695*	*4 Percent of Personal Income 1969*	*Federal Contribution (Col. 3—4)*	*Total Federal Contribution ACol. 2+5)*	*Federal Contribution Per Pupil in ADM*
(1)	*(2)*	*(3)*	*(4)*	*(5).*	*(6)*	*(7)*
U. S. Total	3,565*	31,350*	29,628*	3,489*	7,054*	
Alabama	65	570	365	205	270	329
Alaska	6	54	50	4	10	130
Arizona	33	290	228	62	95	228
Arkansas	34	303	199	104	138	317
California	389	3,423	3,336	87	476	97
Colorado	42	371	303	68	110	206
Connecticut	51	445	551	0	51	79
Delaware	10	90	89	1	11	85
Florida	111	979	896	83	194	138
Georgia	87	763	570	193	280	255
Hawaii	14	124	122	2	16	89
Idaho	15	129	85	44	59	319
Illinois	176	1,551	1,894	0	176	79
Indiana	101	885	755	130	231	181
Iowa	52	455	395	60	112	171
Kansas	39	345	324	21	60	121
Kentucky	55	481	368	113	168	243
Louisiana	67	586	417	169	236	280
Maine	19	166	119	47	66	276
Maryland	70	614	613	1	71	80
Massachusetts	89	787	909	0	89	79
Michigan	169	1,488	1,400	88	257	120
Minnesota	72	635	538	97	169	185
Mississippi	44	389	209	180	224	401
Missouri	77	678	643	35	112	115

* In millions

TABLE 8-4 (CONTINUED)

	Flat Grant	*National Foundation Program of $695*				
	ADM of 1969–70 × $ 79	*ADM of 1969–70 × $695*	*4 Percent of Personal Income 1969*	*Federal Contribution (Col. 3−4)*	*Total Federal Contribution ACol. 2+5)*	*Federal Contribution Per Pupil in ADM*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Montana	14	120	87	33	47	272
Nebraska	26	229	209	20	46	140
Nevada	10	85	81	4	14	115
New Hampshire	12	104	100	4	16	107
New Jersey	114	1,007	1,212	0	114	79
New Mexico	22	192	115	77	99	359
New York	272	2,397	3,255	0	272	79
North Carolina	93	814	601	213	306	261
North Dakota	12	102	74	28	40	272
Ohio	190	1,667	1,606	61	251	105
Oklahoma	48	421	513	108	156	257
Oregon	37	325	290	35	72	154
Pennsylvania	183	1,612	1,727	0	183	79
Rhode Island	14	124	141	0	14	79
South Carolina	51	445	281	164	215	336
South Dakota	13	115	80	35	48	291
Tennessee	70	612	448	164	234	266
Texas	205	1,806	1,458	348	553	213
Utah	24	210	125	85	109	361
Vermont	8	72	57	15	23	223
Virginia	84	739	618	121	205	193
Washington	65	572	524	48	113	137
West Virginia	31	276	189	87	118	297
Wisconsin	73	644	615	29	102	110
Wyoming	7	59	43	16	23	271

Column 5: Column 3 − Column 4
Column 6: Column 2 + Column 5
Column 7: Column 6 ÷ ADM

TABLE 8-5

RELATIVE IMPACT ON EQUALIZATION OF FINANCIAL RESOURCES OF PLANS I, II, III AND IV—TOTAL REVENUE PER PUPIL FROM ALL SOURCES UNDER PLANS I, II, III AND IV COMPARED WITH TOTAL REVENUE FROM ALL SOURCES AVAILABLE PER PUPIL IN 1969–70

	Total Revenue from Federal, State and Local Sources Per Pupil in ADM 1969–70	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan I*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan II*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan III*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan IV*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
U. S. Average	$ 842	$1,001	$1,000	$1,000	$ 998*
Alabama	523	878	681	662	852
Alaska	1,129	1,285	1,287	1,287	1,259
Arizona	864	1,118	1,022	1,022	1,092
Arkansas	570	914	728	726	887
California	773	896	931	931	870
Colorado	810	1,042	968	968	1,016
Connecticut	1,155	1,155	1,313	1,297	1,234
Delaware	1,056	1,165	1,214	1,214	1,141
Florida	804	967	962	962	942
Georgia	589	870	747	734	844
Hawaii	1,066	1,183	1,224	1,224	1,155
Idaho	588	929	746	746	907
Illinois	1,064	1,064	1,222	1,200	1,143
Indiana	688	895	846	846	869
Iowa	844	1,053	1,022	1,002	1,015
Kansas	914	1,061	1,072	1,072	1,035
Kentucky	660	929	818	805	903
Louisiana	703	1,008	861	861	983
Maine	725	1,026	883	883	1,001
Maryland	968	1,074	1,126	1,126	1,048

TABLE 8-5 (CONTINUED)

	Total Revenue from Federal, State and Local Sources Per Pupil in ADM 1969–70	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan I*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan II*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan III*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan IV*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Massachusetts	882	882	1,040	1,015	961
Michigan	798	944	956	956	918
Minnesota	903	1,113	1,061	1,061	1,088
Mississippi	561	987	719	719	962
Missouri	771	912	929	910	886
Montana	821	1,116	979	979	1,093
Nebraska	708	872	866	834	848
Nevada	864	1,003	1,022	1,014	979
New Hampshire	761	889	919	897	868
New Jersey	1,079	1,079	1,237	1,224	1,158
New Mexico	749	1,133	907	907	1,108
New York	1,325	1,325	1,483	1,483	1,404
North Carolina	670	957	828	819	931
North Dakota	754	1,047	912	912	1,026
Ohio	758	888	916	892	863
Oklahoma	560	844	718	704	817
Oregon	980	1,160	1,138	1,138	1,134
Pennsylvania	970	1,026	1,128	1,126	1,049
Rhode Island	850	856	1,008	981	929
South Carolina	655	1,016	813	813	991
South Dakota	673	988	831	823	964
Tennessee	607	898	695	756	873
Texas	652	891	810	789	865
Utah	707	1,094	865	865	1,068
Vermont	933	1,176	1,091	1,091	1,156

TABLE 8-5 (CONTINUED)

	Total Revenue from Federal, State and Local Sources Per Pupil in ADM 1969–70	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan I*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan II*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan III*	*Total Revenue Per Pupil in ADM 1969–70 Plus Amount Proposed Under Plan IV*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Virginia	781	999	939	939	974
Washington	905	1,068	1,063	1,063	1,042
West Virginia	703	1,028	861	861	1,000
Wisconsin	967	1,103	1,125	1,125	1,077
Wyoming	879	1,173	1,037	1,037	1,150
Ratio of State with Greatest Amount of Revenue Per Pupil to State with Least Amount	2.53 to 1	1.57 to 1	2.18 to 1	2.24 to 1	1.72 to 1

Column 2: Computed from *NEA Estimates of School Statistics 1969–70* (Revised).
Column 3: Federal Revenue per pupil proposed under Plan I added to Column 2.
Column 4: Federal Revenue per pupil proposed under Plan II added to Column 2.
Column 5: Federal Revenue per pupil proposed under Plan III added to Column 2.
Column 6: Federal Revenue per pupil proposed under Plan IV added to Column 2.

*The national average for Plans III and IV would have been approximately the same as the national average for Plans I and II if all states had made a state and local effort equal to or greater than 4.7736 percent of personal income.

chapter. The minimum amount of federal aid needed in order to at least make some significant impact on the accomplishment of legitimate federal purposes, including present categorical aids plus the proposed general aid of 20 percent of state and local school revenue, would total approximately 21 percent of total school revenue. Those purposes would be much more adequately accomplished if the federal government would provide 30 percent of total school revenues.

It has been recommended earlier in this chapter that block categorical grants for the education of certain high cost target populations such as vocational students, the handicapped and the culturally disadvantaged be continued. The percent of the total school enrollment of these high cost pupils varies from state to state, especially the percent of the culturally disadvantaged. If the categorical appropriations for these high cost pupils are discontinued, the allocations per pupil for general aid should be varied appropriately in order to reflect these higher costs.

Finally, numerous proposals have been made concerning the controls the federal government should retain over general aid. Those proposals range all the way from no controls whatsoever to detailed controls similar to those now being exercised over some categorical grants. The National Educational Finance Project favors the minimum of federal controls over general federal aid necessary to attain the basic federal purposes in providing general aid.

FOOTNOTES

1. NOTE: This section draws extensively from a paper by Erick Lindman entitled "Criteria for Coordinating Federal Programs" reported in *Proceedings of Tenth Annual Conference on School Finance*, Washington, D. C.: National Education Association, 1967.

2. A better measure of the relative measure of the state to support education is described in Chapter 4 and applied to Plan III in this chapter.

3. This is sometimes called the equalized matching plan.

CHAPTER 10

Alternative State Finance Plans

In Chapter 9, detailed procedures were set forth for evaluating alternative state school finance plans. Some of these procedures can be expressed in terms of objective measures and other procedures are descriptive in nature. In this chapter objective measures only will be used in evaluating alternative finance models applied to a prototype state. These alternative models will be compared by objective methods to determine: (1) the extent to which financial equalization of educational opportunity is provided and (2) the extent to which the taxes used to finance the programs are regressive or progressive.

School finance models have two major dimensions as follows: The *allocation* dimension and the *revenue* dimension. The allocation dimension includes the target populations to be served; the programs, services and facilities provided for the target populations; the computation of unit costs for the programs to be financed; determination of whether local ability and/or effort will be considered in the allocation of state funds; requirements and restraints placed on the use of state funds; and similar matters.

The revenue dimension includes the percent of revenues to be provided from each of the following sources: federal, state and local; the types of taxes to levy at each level of government; the progressivity or regressivity of different types of taxes; the amount of revenue to allocate for school support and similar matters. In this chapter we will deal only with the state and local revenue and allocation dimensions.

The principal finance models in common use in the United States and variations in those models are examined in this chapter. The financial impact of each model is compared with all other models examined on a comparable basis. In order to do this, it was found desirable to construct a prototype state with conditions somewhat representative of the nation, with real data for the districts in that state. The development of data for the prototype state is discussed next.

THE PROTOTYPE STATE

A prototype state was constructed for the purpose of testing alternative models of state support. This prototype state was created by starting from a state which represented a wide range of conditions among the districts of that state and adding a few districts selected from another state which would further diversify the variations among the districts of the prototype state. All of the districts of the prototype state are real school districts and the data are actual data. The prototype state includes 32 districts. Each of these districts is described in the Appendix of this volume and certain data for these districts are summarized in Table 10-4. These districts are described in some detail in order that those making decisions on state school fiscal policy can determine the impact of each school finance model on a particular type of district. It is hoped that people from all states can find districts in the prototype state with which they can identify. However, it is not claimed that the prototype state is a true sample of the nation. For example, all districts included in the sample have 1,800 or more pupils and all districts operate both elementary and high schools. The prototype state actually is a model of a state with a fairly efficient school district organization. If all 50 states had as efficient a district organization as the prototype state, the total number of school districts in the United States would be reduced from some 17,000 to approximately 2,000-2,500.

It is impossible to develop a school finance plan which is equitable to the children and also equitable to the taxpayers in a state with inefficient small school districts gerrymandered so as to sequester wealth and to disequalize educational opportunity.

Therefore, the alternative models presented in this chapter are tested in a state which has a relatively efficient district organization in order that the impact of the *finance model* and not the *district organization* might be evaluated.

The prototype state includes the following types of districts:

1. Large core city districts.
2. Suburban districts.
3. Medium size city districts.
4. Small city districts.
5. Rural districts.
6. Districts with high and low equalized valuation per pupil.
7. Districts with high and low personal income per pupil.
8. Districts with a high and low percentage of the culturally disadvantaged.

DEVELOPMENT OF ALTERNATIVE FINANCE MODELS

There are an infinite number of alternative models of state school financing. No two of the fifty states are using exactly the same model in all respects. Furthermore, some change in each state's school finance plan is made in practically every general session of the legislature of that state. Although there are an infinite number of variations in plans of school financing, it is possible to make certain useful broad classifications of alternative models and to compare the impact of these models assuming tha each model is applied to the same total revenue from state and local sources. In this chapter we are dealing only with alternative models of state and local financing which can be controlled by the states. Hopefully, federal funds made available to the states can be integrated with state funds in such a manner as to supplement those funds and, therefore, have the same impact within a state as state funds.

There are, of course, infinite possible variations in the amount or relative adequacy of funds provided for the public schools of a state. In order to test the impact of the alternative models examined in this chapter, the total amount of revenue from all sources combined is held constant for all models but the sources of the revenue and the methods of allocation are varied.

As pointed out above, school finance models have two major dimensions—the allocation dimension and the revenue dimension.

The Allocation Dimension

Following are the principal types of state school finance models classified according to the *allocation dimension*:

1. *Flat Grant Models.* Under this type of model, state grants are allocated to local school districts without taking into consideration variations among the districts in local taxpaying ability. There are two major variations of this model as follows:

    a. A uniform amount per pupil, per teacher or some other unit of need is allotted without taking into consideration necessary variations in unit costs of different educational programs and services.

    b. Variable amounts per unit of need are allocated to local school districts which reflect necessary variations in unit costs.

2. *Equalization Models.* Under this type of model state funds are allocated to local school districts in inverse proportion to local taxpaying ability. In other words, more state funds per pupil, per teacher, or other unit of need are allocated to the districts of less wealth than to those of greater wealth. As in the flat grant models, there are two main variations in the equalization models as follows:

    a. In computing the cost of the foundation program equalized, a uniform amount is allowed per pupil, per teacher or other unit of need without giving consideration to necessary variations in unit costs of different educational programs and services.

    b. Variable amounts per unit of need which take into consideration necessary variations in unit costs are used in computing the cost of the foundation programs.

The Revenue Dimension

Ignoring federal funds, following are the principal types of state school finance models classified according to the *revenue dimension:*

1. *Complete State Support Model.*
2. *Joint State-Local Support Model.*
3. *Complete Local Support Model.*

If federal revenue is included the following additional revenue models can be added:

1. *Federal-state support model.*
2. *Federal-state-local model.*
3. *Federal-local model.*
4. *Complete federal support model.*

The impact of some of these federal related models is examined briefly in Chapter 8 of this volume.

The revenue dimension includes another variable which substantially affects the equity of state school finance models. That variable is the degree of progressivity (or regressivity) of the taxes used to support the public schools. The degree of the progressivity of a state's tax structure depends upon the type of taxes a state levies. The state has a wide range of choices in the type of taxes it levies. Taxes may be progressive, proportional or regressive. Approximately 98% of local school tax revenue is derived from property taxes. Boards of education in most states do not have much choice in the type of tax to levy. They must depend almost entirely on property taxes which are the most regressive major tax levied. Therefore, the progressivity of the tax structure used to support the public schools depends upon two factors:

1. The proportion of school revenue provided by the state and,
2. The relative progressivity of the state's revenues.

The alternative school finance models tested in this chapter include all of the dimensions described in this section.

Major Policy Decisions

The legislature of every state must make the following major policy decisions with respect to financing the public schools:

1. What educational programs and services will be funded in the states' school finance plan and for whom will these programs be provided?
2. Will state funds be apportioned on the flat grant basis which ignores differences in the wealth of local school districts or on the equalization basis which provides more state

funds per unit of educational need to districts of less wealth than to districts of greater wealth?

3. Will necessary variations in unit costs of different educational programs and services be recognized or ignored in allocating state funds on either the flat grant or equalization basis?
4. What proportion of school revenue will be provided by the state and what proportion from local sources?
5. How progressive (or regressive) will be the state's tax structure?
6. To what extent will the state provide for financial equalization of educational opportunity among school districts of the state?
7. What are the financial needs of the public schools and how nearly can those needs be met taking into consideration needs for other governmental services and the financial ability of the state?

A number of alternative models and variations in those models are examined in this chapter in order to assist decision making authorities in determining the consequences of decisions they make with respect to decision areas 1 to 6 listed above. Prior to testing these models, it is necessary to describe alternative methods of treating the data from the prototype state. Those methods are presented in the following section.

UNIT COST DIFFERENTIALS USED FOR PROTOTYPE STATE

In Chapter 6 of this volume, variations in cost per pupil for different educational programs are presented. Educational programs designed to meet the many different needs of pupils vary widely in per pupil cost. For example, senior high schools cost more per pupil than elementary schools. Exceptional education programs, vocational programs and programs for compensatory education all cost more per pupil than programs provided for pupils not enrolled in these special high cost programs. Two methods are commonly used to adjust for these extra costs—the weighted pupil technique and the adjusted instruction unit, (sometimes called the adjusted classroom unit or teacher unit).

The Weighted Pupil Technique. The weighted pupil technique is based on the assumption that the pupil-teacher ratio is less and operating costs are higher for certain special programs and under certain conditions than for typical elementary school programs. The method usually used is to start the weighting of pupils by assigning the weight of 1 to the cost per pupil of regular pupils enrolled in elementary schools. If it is found that the cost of educating exceptional pupils (handicapped pupils) is approximately twice the per pupil cost of educating regular pupils because the per pupil-teacher ratio is only one-half of the per pupil-teacher ratio for regular elementary pupils and operating and capital outlay costs are also about twice the amount per pupil needed for regular elementary pupils, then the equivalent full time pupils enrolled in exceptional education classes are given a weight of two. Appropriate weights are also assigned to pupils enrolled in the other high cost programs. It costs more per pupil to provide educational opportunities for pupils enrolled in small isolated schools which because of distance or geographical barriers cannot be consolidated with other schools. The pupils enrolled in small, isolated schools can also be appropriately weighted.

Table 10-1 sets forth the scale used for weighting the pupils in average daily membership in the prototype state. The weights for educational programs are average weights computed from the data presented in the special studies reported in Volume 3 of the National Educational Finance Project. The weights for pupils attending necessary isolated schools were developed by the central staff from current practice. It should not be assumed that the weights presented in Table 10-1 are valid for all time. Those weights are based on current practice in school systems reputed to have good programs in the program areas that are weighted. What is current practice today may become outdated tomorrow. Therefore, the weights presented in Table 10-1 should be considered as weights derived from current practice to illustrate the methods used in weighting pupils. Furthermore, the special satellite studies made by the National Educational Finance Project revealed that the cost differentials for special educational programs varied widely among different school systems. Therefore, much additional research is needed before fully reliable cost differentials can be assigned to these special programs. However, the evidence is conclusive that vocational education, exceptional education, and compensatory education all cost more per pupil than regular educational programs. To defer

TABLE 10-1

SCALES USED FOR WEIGHTING PUPILS IN THE PROTOTYPE STATE

Programs	*Prototype State Target Population*[a] *(ADM)*	*Weighting For Cost Differential*[c]	*Weighted Pupils*
Col. 1	*Col. 2*	*Col. 3*	*Col. 4*
Early Childhood			
3 year olds	30,946	1.40	43,324
4 year olds	50,813	1.40	71,138
Kindergarten (5 year olds)	56,231	1.30	73,100
Sub Total	137,990		187,562
Non-Isolated Basic Elementary and Secondary			
Grades 1–6	301,777	1.00	301,777
Grades 7–9	182,961	1.20	219,553
Grades 10–12	124,693	1.40	174,570
Sub Total	609,431		695,900
Isolated Basic Elementary and Secondary[b]			
Elementary Size			
150–200	6,332	1.10	6,965
100–149	3,155	1.20	3,786
less than 100	3,789	1.30	4,926
Junior High			
150–200	2,266	1.30	2,946
100–149	1,177	1.40	1,648
less than 100	1,299	1.50	1,948
Senior High			
150–200	849	1.50	1,273
100–149	381	1.60	609
less than 100	126	1.70	214
Sub Total	19,374		24,315
Special (Exceptional)			
Mentally Handicapped	16,089	1.90	30,569
Physically Handicapped	2,668	3.25	8,671
Emotionally Handicapped	19,696	2.80	55,149
Special Learning Disorder	5,335	2.40	12,804
Speech Handicapped	31,152	1.20	37,382
Sub Total	74,940		144,575
Compensatory Education			
Basic: Income under $4,000	131,165	2.00	262,330
Vocational—Technical	46,502	1.80	83,704
Total All Categories (Preschool—Grade 12)	1,019,402		1,398,386

[a] Full time equivalent membership.

[b] Elementary schools must be 10 miles or more by road from another elementary school in order to be weighted for isolation; junior high schools 15 or more miles from another junior high school and senior high schools, 20 miles or more from another senior high school.

[c] These weights vary slightly from the weights reported in Chapter 6 because a few additional districts were added to the sample from which the averages were computed.

making allowance in state support programs for the extra costs of these special programs until exact information is available on these cost differentials would be self-defeating.

It will be noted from Table 10-1 that there are 1,019,402 pupils in average daily membership in the prototype state but there are 1,398,386 weighted pupils in average daily membership. As will be shown later in this chapter the ratio of weighted pupils in A.D.M. to pupils in A.D.M. varies widely among the districts of the state. Therefore, the use of weighted pupils instead of unweighted pupils in apportioning state school funds substantially improves the equity of a state's school finance plan.

The Adjusted Instruction Unit Technique. This technique is actually a function of the weighted pupil technique. Let us assume that it is desired to express the state guaranteed program in terms of instruction units and that those units include all instruction personnel such as classroom teachers, principals, supervisors, guidance counselors, librarians, etc. Let us also assume that the decision has been made to allot one instruction unit for each 25 pupils in average daily membership in elementary schools for regular elementary pupils (non-high cost pupils). The pupil instruction unit ratios for all types of educational programs can be determined by dividing 25 by the same cost differential weights used to compute weighted pupils. The method of computing adjusted instruction units is set forth in Table 10-2. The number of adjusted instruction units for each program category is shown in column 5 of Table 10-2.

The relationship between weighted pupils and adjusted instruction units can readily be shown by dividing the number of weighted pupils shown in column 4 of Table 10-1 by 25. The quotient is the same number of adjusted instruction units as shown in column 5 of Table 10-2. Therefore, the weighted pupil is exactly 1/25 of the adjusted instruction unit assuming the same weights are used in calculating both units and assuming that an A.D.M. per instruction unit of 25 to 1 is desired for elementary schools. The pupil instruction unit ratio could, of course, be higher or lower and the mathematical relationship between the two units will be determined by the pupil instruction unit ratio selected.

Some states start with higher pupil-teacher ratios and compute adjusted classroom teacher units first and then increase those units by some fraction in order to provide for other in-

TABLE 10-2

SCALE USED FOR COMPUTING ADJUSTED CLASSROOM UNITS IN THE PROTOTYPE STATE

Programs	*Prototype State Target Population (ADM)*	*Weighting For Cost Differential*	*Number of Pupils in ADM per Adjusted Instruction Unit*[a]	*Adjusted Instruction Units*[b]
Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*
Early Childhood				
3 year olds	30,946	1.40	17.86	1,733
4 year olds	50,813	1.40	17.86	2,845
Kindergarten (5 year olds)	56,231	1.30	19.23	2,924
Sub Total	137,990			
Non-Isolated Basic Elementary and Secondary				
Grades 1–6	301,777	1.00	25.00	12,071
Grades 7–9	182,961	1.20	20.83	8,784
Grades 10–12	124,693	1.40	17.86	6,982
Sub Total	609,431			
Isolated Basic Elementary and Secondary				
Elementary Size				
150–200	6,332	1.10	22.73	279
100–149	3,155	1.20	20.83	151
less than 100	3,789	1.30	19.23	197
Junior High				
150–200	2,266	1.30	19.23	118
100–149	1,177	1.40	17.86	66
less than 100	1,299	1.50	16.67	78

TABLE 10-2 (CONTINUED)

Programs	*Prototype State Target Population (ADM)*	*Weighting For Cost Differential*	*Number of Pupils in ADM per Adjusted Instruction Unit*[a]	*Adjusted Instruction Units*[b]
Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*
Senior High				
150–200	849	1.50	16.67	51
100–149	381	1.60	15.62	24
less than 100	126	1.70	14.71	9
Sub Total	19,374			
Special (and/or Exceptional)				
Mentally Handicapped	16,089	1.90	13.16	1,223
Physically Handicapped	2,668	3.25	7.69	347
Emotionally Handicapped	19,696	2.80	8.93	2,206
Special Learning Disorder	5,335	2.40	10.42	512
Speech Handicapped	31,152	1.20	20.83	1,496
Sub Total	74,940			
Compensatory Education Basis: Income under $4,000	131,165	2.00	12.50	10,493
Vocational—Technical	46,502	1.80	13.89	3,348
Total All Categories (Preschool—Grade 12)	1,019,402			55,937

[a] Computed by dividing 25 by Column 3.
[b] Computed by dividing Column 2 by Column 4.

structional personnel needed, such as principals, supervisors, guidance counselors, librarians, etc. For example, adjusted classroom teacher units could be computed by starting with 27 pupils in A.D.M. of regular pupils enrolled in elementary schools and weighting for other educational programs as shown in Table 10-2. Then total adjusted instruction units can be computed by multiplying the classroom teacher units by some fraction such as 1/8 and adding the product to adjusted classroom units. Under such a formula adjusted instruction units could be 112.5 percent of adjusted classroom teacher units.

It should not be assumed from the discussion of computation of adjusted instruction units presented in this chapter, that the pupil-teacher ratios presented are the ratios recommended by the National Educational Finance Project. The ratios presented are for the purpose of illustrating the method of calculating weighted pupils and adjusted instruction units. Subsequent research may show that higher or lower pupil teacher ratios are desirable. The pupil-teacher or pupil instruction unit ratio provided for in the state program is one of the major decisions affecting the cost of the educational program made by a legislature in its program for financing the public schools.

Conversion of Weighted Pupils or Adjusted Instruction Units into Costs. Weighted pupils can be converted into costs by multiplying the number of weighted pupils by a uniform allotment per weighted pupil since necessary cost differentials have already been provided for. The cost of the state guaranteed program including all current expenses except the cost of such support services as school transportation, free textbooks and school food service can be computed by multiplying weighted pupils by a uniform amount per weighted pupil. The cost of the guaranteed program can be computed from adjusted instruction units by multiplying the units by a uniform amount also. Let us assume that the legislature has decided to provide $500 per weighted pupil in A.D.M. in order to finance all current expenses other than provisions for school transportation, free textbook and school food service. The cost [illegible] the guaranteed program for each district can then be determined by multiplying the weighted pupils for that district by $50[illegible] the cost of the program is computed from adjusted instruction units shown in Table 10-2, the units are multiplied by $1[illegible]. The total cost of the program for each district would be identical regardless of which method is used. Since these methods are equivalent mathematically, the legislature should select the method which it believes will be most acceptable in that state. The weighted pupil technique may be easier to manipulate mathematically but the adjusted instruction unit may be easier for the lay public to understand than the weighted pupil. The weighted pupil is used in this chapter to compare alternative state school finance models although the adjusted instruction unit could have been used just as effectively.

The cost of the state guaranteed program for capital outlay can also be computed fairly equitably in terms of weighted pupils or adjusted classroom units.

Attention is directed to the fact that the use of adjusted instruction units or weighted pupils to adjust for high cost programs in allocating state funds in effect establishes a type of educational program budget because a district cannot obtain adjusted instruction units or weighted pupils for high cost programs unless it actually provides those services. The use of adjusted instruction units or weighted pupils in state apportionment makes it possible for districts that have unusual needs for high cost programs to provide those programs. It also assures the state that target populations who need these programs will have them available. The use of program budgeting in the state plan of apportionment has all the advantages of categorical aids for special educational programs without the disadvantages of the fragmented uncoordinated budgeting resulting from a wide use of categorical grants. The adjusted instruction unit has some advantages over the weighted pupil unit in developing a program budget because the adjusted instruction unit reveals the number of instructional personnel provided for in state finance plans for each educational program area. Since capital outlay needs and other operating costs are closely associated with instruction units, the state legislature is enabled by this method to make a state total estimate of the funds allocated to each educational program area in its finance plan.

Differential Costs of Pupil Transportation. It has long been recognized that the cost per pupil transported varies widely among school districts due largely to variations in the density of transported pupils. States allocating state funds for transportation usually allot more funds per pupil for districts with a low pupil density of transported pupils than to districts with a high

TABLE 10-3

TABLE FOR COMPUTING COST DIFFERENTIALS FOR SCHOOL TRANSPORTATION

Number of Pupils Transported Per Route Mile (One Way)	*Allotment Per Pupil Transported Per Year*
Below .5	$90.00
.5 – .74	77.00
.75– .99	65.00
1.00–1.24	55.00
1.25–1.49	49.00
1.50–1.74	43.00
1.75–1.99	40.00
2.00–2.24	37.00
2.25–2.99	34.00
3.00–3.49	32.00
3.50–3.99	31.00
4.00 and above	30.00

density. Table 10-3 presents an example of such a scale. It will be noted that the allotment per pupil transported is three times as much in the district with the lowest density of transported pupils as in the districts with highest density. It should not be assumed that this is an ideal scale of cost differentials for pupil transportation. Costs vary from state to state and from year to year. This scale was used for the purpose of illustrating how necessary cost differentials may be computed for transportation and it was used in computing the allotment for transportation in the alternative finance models analyzed in this chapter.

Computing the Cost of Other Programs and Services. As pointed out above, capital outlay costs can be computed fairly equitably in terms of weighted pupils or adjusted classroom units. Alternative plans for financing the capital outlay needs of the public schools are discussed in some detail in Chapter 7 of Volume 3 of the National Educational Finance Project entitled *Planning to Finance Education.*

Costs of the school food service program to include in the state school finance plan should be based on the number of children served, the type of lunch served, the number of needed free and reduced price lunches served and perhaps other factors. Various models for financing the school food service program are discussed in Chapter 8 of Volume 3 of the National Educational Finance Project.

Computations for capital outlay needs and school food service needs are not included in the alternative finance models examined in this chapter, not because these functions are not important but in order to simplify the computations and analyses presented.

Some states provide for school food service, capital outlay, textbooks and certain other items through state categorical grants. This may be desirable for certain budget items but categorical grants should be held to a minimum in order to increase the efficiency of administration. Even if categorical grants are provided, these grants should be included in the same state appropriation package as general aid in order that the legislature may be facilitated in determining relative priorities it assigns to different educational program and service areas provided for in the state's finance plan.

Other Factors that Might be Considered in Determining Necessary Cost Differentials. There are some other factors that might affect unit costs for an equivalent quality of educational services. One of the most commonly mentioned factors is variations in the cost of living among the districts of a state. The National Educational Finance Project did not have the resources to make an in-depth study of necessary variations among the districts of a state in the cost of living for an equivalent standard of living. Usually a board of education spends 75 to 80 percent of its operating budget for salaries and wages. Variation among the districts in rents would affect the living costs of personnel employed by boards of education. Undoubtedly, rents are higher in some urban areas of high density than in some rural areas. However, the cost of obtaining medical services and other amenities of life is higher in remote rural areas than in urban areas because of the extra travel required. Since the National Educational Finance Project did not have data available on which it could make estimates of necessary variations in unit costs of education due to variations in the cost of living, no weighting for this item was provided for in the prototype state.

The quality of teachers provided in a school district or in an individual school within a district undoubtedly affects the quality of education provided more than any other single factor. In order to have substantial equality of educational opportunity the pupils of different districts and different schools within a district should have equal access to the best quality of teachers. Placement bureaus of teacher education institutions find that many of their graduates will not accept positions in remote rural areas with no cultural advantages or in urban ghettos when they have the choice of accepting positions in middle class suburban or urban areas. There is some reason to believe that in order to give the pupils in remote rural areas and in ghetto urban areas equal access to the quality of teachers available in other areas that extra supplements should be made to the salaries of teachers employed in such areas. The National Educational Finance Project did not have the resources to make studies of the cost differentials necessary to accomplish these purposes. Therefore, no weighting for these items was provided for in the prototype state.

It might seem that the National Educational Finance Project is overemphasizing the importance of cost differentials. However, it seems safe to predict that in the future the federal and state governments will inevitably be compelled to provide a much higher percent of school revenues than at the present time if educational needs are to be met. As we move to more central funding of school costs, it is essential that central governments provide for necessary variations among school districts in unit costs or they will disequalize the educational opportunities they are attempting to equalize.

METHODS OF TESTING ALTERNATIVE MODELS

Eighteen alternative models of state school finance programs are analyzed in this chapter. These models encompass all of the major decisions that must be made by a legislature except the adequacy of the program provided. Table 10-4 presents certain information for each of the 32 districts in the prototype state. The districts are listed in order of equalized valuation per weighted pupil in average daily membership. This procedure is followed in all the tables, 10-4 to 10-22 presented in this chapter. Detailed information for each district of the prototype state is presented in the Appendix of this volume. Tables 10-5 to 10-22 present detailed analyses of the application of each of the eighteen models to the 32 districts of the prototype state. Table 10-23 presents a summary of the evaluation of each of the eighteen models by three objective methods. Figures 10-1 to 10-19 present a graphical picture of each model.

Methods of Evaluation of Models

The three objective methods used to evaluate each model are as follows:

1. Average deviation from full equalization.
2. Score on the National Educational Finance Project scale for measuring the extent of financial equalization of the state's finance program.
3. Score on the National Educational Finance Project scale for measuring tax progressivity.

The average deviation from full equalization is computed by assuming that the same total revenue from state and local revenues is available in all eighteen models, but methods of allocation and sources of revenue differ. A computation is made on the basis of weighted pupils and necessary transportation costs showing the total amount of funds each district would have, if each district had the same amount of money available per weighted pupil and its necessary transportation costs. In other words, this computation shows the revenue that each district would have available if complete financial equalization were provided throughout the state. Then, the deviation of each district from complete equalization is computed. This computation shows the financial impact of each model on each district of a state and is reported in Tables 10-5 to 10-22.

The National Educational Finance Project scale for measuring the extent of financial equalization of educational opportunity is described in detail in Chapter 9 of this volume. The score on the NEFP scale is very highly correlated negatively with the measure "average deviation from full equalization." The minimum score on this scale is 1 and the maximum score is 8.4. The advantage of the NEFP scale is that it can be used quickly to evaluate a proposed change in a state's finance model without computing the impact of the change on all districts of a state.

The Tax Progressivity scale is also discussed in detail in Chapter 9. In applying this scale to the prototype state, the assumption is made that the prototype state had a state tax structure equivalent to the progressivity of the tax structure of the average state. Any state could, of course, increase or decrease the progressivity of its state tax structure by increasing or decreasing the proportion of its tax revenue derived from relatively progressive taxes.

Assumption Made for All Models

In order to compare these eighteen models on the same basis it was necessary to make the following assumptions:

1. That the same total revenue was available for all models but the proportion from state and local sources varied.
2. That all districts levied the legal limit of taxes permitted by the state. This might seem unrealistic but it does represent a comparable measure of the local tax revenue potential of each district.

List of Models Tested

Following is a list of the eighteen models tested and a brief description of each:

1. *Flat grant models* with the same total revenue and the same proportion from state and local sources with different methods of apportionment.

MODEL I-A Flat grant of $500 per pupil in A.D.M., unweighted pupils, no aid for transportation, local tax rate 12 mills.

MODEL I-B Same total state funds as Model I-A but state funds are distributed on the basis of weighted pupils, and need for transportation and same local funds as Model I-A.

2. *Equalization models* with the same total state funds and same total local funds as MODEL I-A.

MODEL II-A Strayer-Haig equalization formula, unweighted pupils, transportation allotment, 5 mills required local effort, 7 mills local leeway.

The Strayer Haig equalization formula (or an adaptation of that formula) is the most commonly used model for apportioning state school funds. Under this formula the cost of the foundation program which the legislature desires to guarantee for each district is computed and from that cost is deducted the amount of funds which each district can raise locally through a minimum required local tax effort and the difference is allocated to the district from state funds. Although this model seems simple, there are numerous variations in the elements of the model which have a profound impact on the finances of local school districts. The impact of some of these variations is revealed in the tables presented below.

MODEL II-B Same as Model I-A except pupils are weighted.

MODEL II-C Same as Model II-B except required local effort is 10 mills and local leeway 2 mills.

MODEL II-D Complete equalization, same as Model II-A except required local effort is 12 mills and there is no local leeway.

3. *Percentage Equalizing Formula.*

MODEL III The state's share of the cost of the foundation program of a district under this formula is computed by multiplying the cost of the foundation program of any district by 100 percent minus a predetermined percentage figure which, in turn, is multiplied by the quotient of the equalized value of property of the district divided by the state average equalized value of property per weighted pupil. Let A equal the cost of the foundation program; D, the equalized value of property per pupil in the district; S, the state average equalized value of property per pupil; and E, the predetermined constant factor. Then the state aid for district under this formula equals the cost of the foundation program (A) multiplied by $1-[\frac{D}{S}\times E]$. Despite its seeming complexity, this formula gives exactly the same result as the Strayer-Haig formula when applied to measures of need based on weighted pupils or adjusted instruction units for any given level of foundation program.[2] This is demonstrated in Tables 10-8 and 10-11.

4. *Flat Grant* models with the same total revenue as in Model I-A but increasing the proportion of revenues from state sources and decreasing local revenue.

MODEL IV-A Apportionment method the same as Model I-B, but limit local revenue to 7 mills and increase state appropriation the equivalent of 5 mills.

MODEL IV-B Same as IV-A but limit local revenues to 4 mills and increase state appropriation the equivalent of 8 mills.

MODEL IV-C Complete equalization apportionment method same as IV-A except no local millage and state appropriation increased the equivalent of 12 mills.

5. *Equalization models* with the same total revenue as Model I-A but increasing the proportion of revenue from state sources and decreasing local revenue.

MODEL V-A Apportionment according to method of II-B, 7 mill limit on local taxes, 4 mill required effort, 3 mill leeway and state appropriation increased the equivalent of 5 mills.

MODEL V-B Same as V-A except 4 mill limit on local taxes, 2 mill required effort, 2 mill local leeway and increased state funds the equivalent of 8 mills.

MODEL V-C Complete equalization—same as V-A except no local taxes and state appropriation increased the equivalent of 12 mills.

6. *Flat grant* models with the same total revenue as I-A but increasing the proportion of revenue from local sources and decreasing state revenue.

MODEL VI-A Apportionment method the same as I-B, 50% of revenue from state sources and 50% local revenue, local tax rate 16.3 mills.

MODEL VI-B Same as VI-A except state revenue 25%, local revenue 75% and local tax rate 24.452 mills.

7. *Equalization models* with the same total revenue as I-A but increasing the revenue from local sources and decreasing state revenue.

MODEL VII-A 50% of revenue from state sources, 50% from local sources, apportionment according to method II-B, except total local millage of 16.3 mills, 11 mills required effort and local leeway of 5.3 mills.

MODEL VII-B Same as VII-A except state revenue 25%, local revenue 75%, local millage 24.452, required local effort of 10 mills and local leeway of 14.452 miles.

8. *Complete local support model.*

MODEL VIII Same total revenue as Model I-A, all local revenue, local tax rate of 32.6024 mills.

ANALYSIS OF IMPACT OF ALTERNATIVE MODELS TESTED

Some variations among the 32 districts of significance to school financing are presented in Table 10-4. The districts range from 1,811 pupils in average daily membership to 208,014. The range in weighted pupils in average daily membership is from 2,404 to 324,828. The 32 districts in Table 10-4 are listed in order of equalized valuation per weighted pupil from highest to lowest. It will be noted that the district of greatest wealth has approximately six times the equalized valuation per weighted pupil as the district of least wealth.

Variations in the relationship of weighted pupils to pupils in average daily membership are of great significance to school financing. For example, in District 3, a large wealthy, urban district, weighted pupils are 130 percent of pupils in A.D.M. In District 25, a large, urban district of less than average wealth, weighted pupils are 156 percent of pupils in A.D.M. Thus, District 25 not only has a higher percentage of high cost pupils than the state average but it has considerably less wealth per pupil than the state average. All large urban districts do not have the same conditions. Some are much wealthier than others and some have a much higher percent of disadvantaged high cost pupils than other cities similar in size. To ignore these variations in a state school finance plan is to fail to equalize educational opportunity.

The same type of variations exist among small districts. For example, in District 4, a relatively small, wealthy district, weighted pupils are 130 percent of A.D.M. but in District 29, a relatively small district, far below the state average in wealth, weighted pupils are 149 percent of pupils in A.D.M.

The extent to which the alternative finance models tested equalize the financial support of the public schools and provide progressivity in the tax structure for school support is presented in the remainder of this section.

Flat Grant Models with the Same Total Revenue and the Same Proportion from State and Local Sources

Two models are examined under this classification. In Model I-A, the state allotment is computed simply by multiplying $500 times the A.D.M. of each district and each district has the potential of local revenue equal to 12 mills times its equalized valuation. Table 10-5 shows that under this model state funds would total $509,700,000 and local funds $296,874,000 making a total revenue of $806,574,000. All of the alternative models from Model I-A through Model VIII are computed on the basis of approximately $806,574,000 of total revenue available for the support of the public schools but the models vary in the proportions from state and local sources and in methods of apportionment. The $500 per pupil in A.D.M. was arbitrarily selected. It is not suggested that this is the amount of state revenue that a state should provide. The $500 per pupil in A.D.M. was selected purely for purposes of illustration and a basis of comparison.

Model I-A is one of the most primitive methods of apportioning state school funds. It does not recognize variations in local tax paying ability, necessary variations in pupil costs or variations in transportation needs. Table 10-23 shows an average deviation of 15.42 percent from full equalization for Model I-A and a score of 4.3 on the NEFP scale. The average deviation from the full equalization scale is negatively correlated with the score on the NEFP scale. The scores on the NEFP scale range from 1 for no equalization to 8.4 for complete equalization. The scores on the average deviation from full equalization range from 0 for complete equalization to 30.98 for no equalization for the models tested.

The failure of Model I-A to financially equalize educational opportunity is more fully revealed in Table 10-5. This table shows that District 1, the district of greatest wealth per pupil would have revenue equal to 161 percent of the revenue required for complete equalization in the state and that District 31, the district next to the lowest in wealth would have only 70 percent of the revenue required under complete equalization. This is highly significant because under Model I-A the state provides 63 percent of total school revenue but the state appropriation is distributed so crudely in relation to educational need that educational opportunity is far from equalized in the prototype state. Table 10-5 shows that the districts of below average wealth in general do not receive enough state aid under Model I-A to provide educational opportunities comparable to the districts of above average wealth. Despite the inequity of this model, a considerable amount of state school revenue in the nation is still being distributed on some type of a flat per pupil basis in A.D.A., A.D.M. or census basis.

Model I-B is an improvement over Model I-A. Under Model I-B, the same state revenue, $509,700,000 is apportioned to the 32 districts but it is apportioned on a weighted pupil basis after providing for the necessary costs of transportation. The computations for this model are shown in Table 10-6. It is noted that the district of greatest wealth, District 1, will have 154 percent of the revenue available required for complete equalization and District 32, the district of least wealth, 78 percent. Table 10-23 shows an average deviation of 11.40 percent from full equalization and an NEFP score of 5.1. This is some improvement over Model I-A but educational opportunities are still far from equalized under Model I-B.

A profile of the revenue available per weighted pupil from state and local sources under Model I-A is presented for 16 randomly selected districts of the prototype state, ranging from the most wealthy to the least wealthy. Revenue available for transportation was excluded in order to place all districts on a comparable basis. Only 16 districts, the odd numbered districts, are included in the graph in order to simplify the presentation. Comparing Figure 10-1 with Figure 10-2, it is noted that the length of the bars for the 16 districts is more nearly uniform under Model 10-B than Model 10-A. The impact of each finance model on each of the 16 districts is graphically presented for all models examined. The equalization qualities of all models can be compared from these figures because the more nearly uniform the length of the bars for a model, the greater its equalizing qualities.

Equalization Models with the Same Total State Funds and Total Local Funds as Model I-A

Four models are examined under this classification. Under Model II-A, the cost of the foundation program is computed on the basis of A.D.M. (unweighted pupils) and the necessary costs of transportation. Each district is required to contribute the yield of a 5 mill levy on its equalized valuation to the costs of its foundation program and the balance is provided by the state. Each district has 7 mills local leeway. Table 10-23 would indicate that Model II-A would not be any improvement over Model I-B because both models have almost the same average deviation from full equalization scores and NEFP scale scores. However, Table 10-7 shows that Model II-A is a considerable improvement in equalization over Model I-B because the range in percent of complete equalization is much less. Under Model II-A the scores range from 138 percent of full equalization in District 1 to 81 percent in District 31, the district next to the bottom in per pupil wealth. Table 10-6 shows that the range for Model I-B is from 154 percent to 78 percent.

Model II-B is a marked improvement over Model II-A because the pupils are weighted in Model II-B. Other provisions of Model II-B are exactly the same as under Model II-A. Table 10-23 shows that Model II-B has an average deviation from full equalization score of 6.65 and an NEFP score of 6.3. Table 10-8 shows that the district of greatest wealth has 131 percent of the revenue required for complete equalization and the district of least wealth 87 percent.

Model II-C is exactly the same as Model II-B except that the required local effort in support of the foundation program is 10 mills and the local leeway is two mills. Table 10-23 and Figures 10-4 and 10-5 show that Model II-C much more nearly equalizes educational opportunity than Model II-B. The average percent deviation from full equalization is only 1.90 and the score on the NEFP scale is 7.6. Table 10-9 shows that under Model II-C, that the district of greatest wealth has only 109 percent of the revenue required for full equalization and the district of least wealth, 96 percent. A comparison of Models II-B and II-C shows that the greater the *local tax leeway*, the greater the financial *disequalization* from a given amount of state and local revenue. The local tax leeway under Model II-B is 7 mills and under Model

II-C, 2 mills. Furthermore, a comparison of these two models also shows that the *greater the proportion* of the legal limit of local taxes that districts are required to contribute to the cost of the foundation program, the *greater the financial equalization of educational opportunity.*

Model II-D shows what would happen if all districts were required to contribute the full amount of the yield of the legal local tax limit (in this case 12 mills) to the cost of the foundation program. This would provide for complete equalization because its effect would be to convert the local tax levy of 12 mills to a state levy of a like amount for schools. Table 10-23 shows that the average deviation from complete equalization would be 0 under Model II-D and the NEFP score would be 8.4. Table 10-10 shows the amount of revenue each district would have available under full financial equalization assuming total revenue of approximately $806,574,000 from state and local sources is available.

The Percentage Equalizing Formula

Model III is the percentage equalizing formula (sometimes called the state aid ratio formula) described earlier in this chapter. The computations for this formula are shown in Table 10-11. It is noted, that except for deviations due to rounding of totals, the computations for Model III are the same as for Model II-B because they are based on the same unit costs and the same percent of state funds contributed to the cost of the foundation program and a required minimum level foundation program. The percentage equalizing formula is only a mathematical manipulation of the Strayer-Haig formula. Table 10-11 shows that, excluding transportation, the state contributes 51.193 percent of the cost of the foundation program to District 1. This same percentage can be computed from Table 10-8 for Model II-B as follows: Deduct $28,140, the amount allocated for transportation from $4,073,537, the total state funds allocated to District 1 and divide the remainder by $7,902,210, the total cost of its foundation program, excluding transportation and the quotient is 51.193 percent.

A state may wish to establish a variable level foundation program for its districts depending upon the local tax effort the district makes. The percentage equalizing formula can be converted into a state aid ratio formula as follows: Divide the state percentage for a district by its local percentage and the quotient is the ratio of state aid dollars to local dollars. Using District 1 as an example: 51.193 the state percentage divided by 48.807, the local percentage equals 1.0488. This quotient multiplied by $3,857,000, the yield of a 5 mill levy in District 1, equals $4,045,000, which is equivalent to the state contribution for the W.A.D.M. allotment computed by the percentage equalizing formula shown in Table 10-11.

The original Strayer-Haig formula has the advantage over the percentage equalizing formula in that under the Strayer-Haig formula, the allowable costs of transportation can be included as a part of the foundation program but under the percentage equalizing formula, the costs of transportation must be provided for under a special categorical appropriation if the penalization of districts with a heavy burden of transportation is avoided. For example, if each district had to provide the same percent of the cost of transportation as the percent required for the remainder of its foundation program, District 2, under the percentage equalizing formula, would be required to use no local funds for this purpose because it has no transportation needs. District 10 has allowable transportation costs totalling $2,275,000. Under the percentage equalizing formula, it would have to provide 23 percent of this cost from local funds. This would amount to $523,000 or 12 percent of its local revenue whereas District 2 would not have to use any of its local revenue for this purpose.

There is another important difference between the percentage equalizing adaptation of the Strayer-Haig formula and the original Strayer-Haig formula. The percentage equalizing formula can be used to allocate state funds for any level of state support ranging from 0 to no limit. Under the percentage equalizing formula, a district would receive no state funds if it levied no local taxes because under this formula, state funds equal the state aid ratio for that district multiplied by the yield of its local levy. Under the original Strayer-Haig formula, state aid equals the difference between the cost of a district's foundation program and the yield of a required minimum local tax effort. Under the Strayer-Haig formula, the district that levied 0 local taxes would still receive the state's portion of its foundation program. Therefore, the penalty for lack of local tax effort is greater under the percentage equalizing formula. Actually, no state using the percentage equalizing formula could permit a local district to levy 0 taxes because if it did, the public school system would be abolished in a district levying 0 taxes. Therefore, any state using the equalization model, regardless of the formula must set some type of minimum required effort. It would seem better policy for a state to mandate the minimum required minimum local effort regardless of whether the percentage equalizing formula or the Strayer-Haig formula is used. To leave the required minimum effort optional under either formula prevents the state from assuring any foundation program of education for all children in a state.

The percentage equalizing formula has been used as an incentive to increase local tax effort by matching local funds raised by the local school district in addition to the required minimum effort on the same percentage basis as is used in allocating funds for the required minimum foundation programs. This in effect establishes a *variable level* foundation program varying for each district in proportion to the local effort it is willing to make, but all districts, regardless of variations in per pupil wealth could have the same level of foundation program, if they made the same effort. Exactly the same incentive could be provided under the Strayer-Haig formula if the state would establish a variable level foundation program depending upon variations in local effort instead of setting a uniform fixed level for the foundation program. A financial incentive for increased local tax effort to support schools has some advantages but it also has some disadvantages as is pointed out later in this chapter.

Flat Grant Models with the Same Total Revenue as Model I-A But Increasing the Proportion from State Sources and Decreasing Local Sources

Under Model IV-A, state funds are apportioned under the same method as I-B but total state revenue is increased the equivalent of the yield of a 5 mill levy on the equalized valuation and local taxes are reduced from 12 mills to 7 mills. Table 10-23 shows the flat grant Model IV-A is a considerable improvement over flat grant Model I-B because average deviation from full equalization is reduced from 11.40 to 6.65 and the NEFP score is increased from 5.1 to 6.4. When Table 10-6 is compared with Table 10-12, it is observed that the range in deviation is 154 percent to 78 percent for Model I-B and 131 percent to 87 percent for Model IV-A.

Flat grant Model IV-B greatly advances financial equalization because under this model, the state appropriation is increased the equivalent of 8 mills and local property taxes are reduced from 12 mills to 4 mills. Table 10-23 shows that Model IV-B has an average deviation of only 3.8 percent from full equalization and an NEFP score of 7.2. Table 10-13 shows that the deviations from full equalization of the districts of greatest wealth from full equalization as compared with the districts of least wealth are also greatly reduced. It is noted when comparing Models I-B, IV-A and IV-B, that the higher the percent of total revenue provided from state sources, that the greater the possibility of financial equalization by a flat grant model.

Under Model IV-C, state funds are increased the equivalent of 12 mills and local taxes for schools abolished. This, of course, provides for complete equalization. It is equivalent to the Hawaii plan for school financing.

Equalization Models with the Same Total Revenue as Model I-A But Increasing the Proportion of Revenue from State Sources and Decreasing Local Revenue

Under Model V-A, apportionment is made according to the Model II-B except that state revenue is increased the equivalent of 5 mills, local revenue is reduced to 7 mills, 4 mills of which is used for required local effort to support the foundation programs, leaving a local leeway of 3 mills. Table 10-23 shows that Model V-A provides considerably more financial equalization than Model II-B. Average deviation from full equalization is reduced from 6.65 percent to 2.85 percent and the NEFP score is increased from 6.3 to 7.2.

Model V-B further advances financial equalization. Under this model, the state appropriation is increased the equivalent of 8 mills, local taxes are reduced from 12 mills to 4 mills, 2 mills of which is required for the support of the foundation program and 2 mills is left for local leeway. The average deviation from full equalization of Model V-B is only 1.90 percent and the NEFP score is 7.5. Table 10-16 shows that under Model V-B, the district of greatest wealth has total revenue available equal to 109 percent of full equalization and the revenue available to the district of least wealth equals 96 percent of full equalization.

A comparison of Models II-B, V-A and V-B also shows that the greater the percent of school funds provided from state sources, the greater the possibility of equalizing financial resources under equalization formulas.

A comparison of all flat grant models with all equalization models reveals that with a given amount of state money, it is possible to more nearly financially equalize financial resources with an equalization model than with a flat grant model.

A comparison of Model IV-B with Model V-B shows that as we approach full state funding, differences between flat grant models and equalizing models begin to disappear provided that necessary variations in unit costs are incorporated in both types of models. Approximately 88 percent of total revenue is provided by the state in Models IV-B and V-B.

Model V-C is identical with Model IV-C showing that the terminal point of both flat grant and equalization models is complete equalization as we approach full state funding.

Flat Grant Models with the Same Total Revenue as Model I-A but Increasing the Proportion of Revenue from Local Sources and Decreasing State Revenue

Under Model VI-A, state funds are apportioned according to the method of I-B but 50% of total revenue is provided from state sources and 50% from local sources. This requires an increase of the local levy from 12 mills to 16.3 mills. Table VI-A shows that this policy decreases equalization. Comparing Model VI-A with I-B, the average deviation from full equalization is increased from 11.40 percent to 15.48 percent and the NEFP score is reduced from 5.1 to 4.1. Comparing Table 10-5 with 10-18, the range in percent of full equalization is increased from 78 to 154 for Model I-B to 70 to 173 for Model VI-A.

Model VI-B is the same as Model VI-A except that local taxes provide 75 percent of total revenue, state sources 25 percent and it is necessary to increase the local tax levy to 24.452 mills. This model further disequalizes financial equalization. As compared with Model VI-A, the average deviation from full equalization is increased from 15.48 percent to 23.23 percent and the NEFP score is reduced from 4.1 to 2.4. Furthermore, Table 10-19 shows that the district of greatest wealth would have revenue available equal to 209 percent of full equalization whereas the district of least wealth would have only 56 percent of the revenue required for full equalization.

Equalization Models with the Same Total Revenue as I-A but Increasing the Revenue from Local Sources and Decreasing State Revenue

Under Model VII-A, 50 percent of the revenue is provided from state sources, 50 percent from local sources, the local levy is 16.3 mills, 11 of which is required in support of the foundation program leaving a local leeway of 5.3 mills. The requirement of 11 mills of local effort was selected so that the district of greatest wealth would receive no state funds. Under this model, average deviation from full equalization is increased from 1.90 percent in Model V-B to 5.03 percent and the NEFP score is reduced from 7.5 to 7.2. Although all of the state's revenue is used for equalization purposes under Model VII-A, it is noted that the possibility of financial equalization under an equalization model is not as great when the state provides 50 percent of state revenue as when it provides a higher percent of school revenue.

Model VII-B shows more clearly the effect on financial equalization of educational opportunity when the percent of local revenue is increased and state revenue decreased. Under this model, 75 percent of revenue is obtained from local sources, 25 percent from state sources, the local tax rate increased to 24.452 mills, 10 mills of which is required in support of the foundation program leaving a local leeway of 14.452 mills. The required local effort of 10 mills was selected because the districts of greatest wealth would receive no state revenue under this requirement. Despite the fact that all of the state revenue is used for equalization, when the state provides only 25 percent of total revenue, the average deviation from full equalization is increased from 5.03 in Model VII-A to 14.25 in Model VII-B and the NEFP score is decreased from 7.2 to 5.1. A comparison of Table 10-6 with Table 10-21 and data presented in Table 10-23 for Models I-B and VII-B will show that a flat grant model when the state provides 63 percent of the revenue will equalize educational opportunity better than an equalization model when the state provides only 25 percent of the revenue. However, a comparison of Model VI-B with Model VII-B shows that if a state provides only 25 percent of school revenue from state sources, an equalization model will provide much more financial equalization than a flat grant model.

Complete Local Support Model

Under this model, the same total revenue is provided as under Model I-A but all of it is provided from a local levy in each district of 32.6024. This model provides for no financial equalization whatsoever. The average deviation from full equalization is 30.98 percent and the NEFP score is 1, the lowest possible score on that scale. Tables 10-22 shows that the wealthiest district would have 248 percent of the revenue required for full equalization and the district of least wealth only 39 percent. It can be computed from data in Tables 10-4 and 10-10 that if there were no limits on the mills of local taxes District 1 could obtain the equalized foundation program shown in Table 10-10 with a levy of only 13 mills whereas it would require a levy of 83 mills in District 32, the district of least wealth. This condition shown in the prototype state is typical of the conditions found in most states.

Comparison of Progressivity of Tax Structure Under Alternative Models

Table 10-23 shows the tax progressivity score for each model computed in accordance with the methods described in Chapter 9 of this volume. It is observed from this table that the tax progressivity score is 18.10 for all models from Model I-A through Model III. This is due to the fact that the proportion from state and local sources is the same for these models. In making the computations of the progressivity scores for the prototype state the assumption was made that its state tax progressivity score was the same as the average state and the local score was also the same as the average state. Table 9-4 shows that the state tax progressivity score for the average state in 1969 was 20.49 and the local tax score 14.00. However, if the assumption had been made that the state tax progressivity score of the prototype had been as high as Oregon, 26.7 percent (see Table 9-5) the progressivity score for all of these models would have been higher. The data presented in Chapter 9 of this volume show the following:

1. The higher the percent of state revenue derived from relatively progressive taxes, the higher the progressivity score of a state's tax structure.
2. The higher the percent of state revenue in relation to local tax revenue, the higher the progressivity score of the state's school finance plan.
3. The higher the percent of school revenue provided from federal sources in relation to state and local sources, the higher the progressivity score of a state's school finance plan. The progressivity score for federal revenue for 1969 was 39.90 (see Table 9-4).

   For example, the tax progressivity score would be 25.65 under a revenue model with 30 percent of the school revenue provided by the federal government, 60 percent by the state and 10 percent by local school districts.

Table 10-23 shows that the progressivity scores for flat grant Models IV-A through IV-C increase as the percent of state revenue increases. The same trend is observed in equalization Models V-A through V-C. However, when the percent of state funds is reduced, the tax progressivity score decreases as shown in flat grant Models V-A and VI-B and equalization Models VII-A and VII-B. Model VIII, the complete local support model, has a tax progressivity score of 14.00, the lowest possible score.

SOME OTHER ALTERNATIVES

There are numerous other possible variations in school finance models. Some of those possible variations are discussed below.

Other Variations in Models Examined

Following is a list of some of the possible variations:

1. Various program elements, such as pre-school programs and special programs might be added or subtracted.
2. Cost differentials could be varied.
3. Special supporting services and facilities such as school food service, transportation, summer programs and capital outlay could be added or subtracted.

TABLE [illegible]0-4

AVERAGE DAILY MEMBERSHIP, WEIGHTED AVERAGE DAILY MEMBERSHIP AND EQUALIZED VALUATION OF THE PROTOTYPE STATE

District	*Average Daily Membership*	*Weighted Average Daily Membership*	*Equalized Assessed Valuation (in thousands)*	*EAV Per Pupil in WADM (in Dollars)*
1	14,230	17,934	771,363	43,011
2	10,481	13,644	560,413	41,074
3	32,532	42,274	1,286,623	30,435
4	123,318	160,101	4,624,308	28,884
5	5,197	7,682	181,070	23,571
6	10,179	13,223	293,313	22,182
7	15,220	19,712	429,791	21,804
8	1,811	2,404	51,978	21,621
9	7,058	10,792	226,790	21,015
10	137,329	177,038	3,586,843	20,260
11	3,231	4,070	78,197	19,213
12	4,730	6,164	118,360	19,202
13	4,065	6,014	107,516	17,878
14	165,324	209,378	3,715,068	17,743
15	4,761	7,238	122,025	16,859
16	16,645	22,202	348,643	15,703
17	73,945	97,005	1,512,960	15,597
18	21,240	30,139	458,200	15,203
19	30,017	39,044	555,443	14,226
20	14,861	20,902	292,053	13,972
21	25,011	35,508	495,610	13,958
22	18,968	27,516	341,873	12,425
23	6,124	9,173	110,308	12,025
24	7,245	11,612	129,830	11,181
25	208,014	324,828	3,580,364	11,022
26	13,918	19,042	209,837	11,020
27	13,577	19,353	200,515	10,361
28	2,503	3,131	32,243	10,298
29	11,284	16,838	141,236	8,388
30	5,531	8,139	60,105	7,385
31	6,064	9,116	66,219	7,264
32	4,985	7,171	50,616	7,058
Totals	1,019,401	1,398,386	24,739,630	

4. Other modifying factors such as training and experience of teachers could be included or excluded.
5. Sources of state revenue could be varied.
6. Sources of local revenue could be varied.
7. Measures of local ability in equalization models could include factors other than equalized valuation.

The National Educational Finance Project has developed a computerized model which can incorporate all of these variations. The details of this model are too extensive to be included in this volume but are available in a technical monograph published by the Project.

TABLE 10-5—MODEL I-A

FLAT GRANT OF $500 PER PUPIL IN ADM NO ALLOCATION FOR TRANSPORTATION LOCAL TAX RATE OF 12 MILLS

District	*State Approp of $500 Per Pupil *ADM In Thousands of Dollars*	*Local Rev Yield of 12 Mill Levy on EAV In Thousands of Dollars*	*Total Revenue In Thousands of Dollars*	*Total Rev Per Pupil In ADM In Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation From 100% Equalized*
1	7,115	9,256	16,371	1,150	161.27	61.27
2	5,241	6,725	11,965	1,142	155.36	55.36
3	16,266	15,439	31,705	975	132.15	32.15
4	61,659	55,492	117,151	950	126.79	26.79
5	2,599	2,173	4,771	918	106.20	6.20
6	5,090	3,520	8,609	846	112.07	12.07
7	7,610	5,157	12,767	839	108.58	8.58
8	906	624	1,529	844	107.52	7.52
9	3,529	2,721	6,250	886	97.11	-2.89
10	68,664	43,042	111,707	813	109.29	9.29
11	1,616	938	2,554	790	107.00	7.00
12	2,365	1,420	3,785	800	105.61	5.61
13	2,033	1,290	3,323	817	93.98	-6.02
14	82,662	44,581	127,243	770	105.67	5.67
15	2,381	1,464	3,845	808	88.00	-12.00
16	8,325	4,184	12,508	751	95.01	- 4.99
17	36,972	18,156	55,128	746	97.74	- 2.26
18	10,620	5,498	16,118	759	92.47	- 7.53
19	15,009	6,665	21,674	722	94.57	- 5.43
20	7,431	3,505	10,935	736	88.75	-11.25
21	12,506	5,947	18,453	738	89.15	-10.85
22	9,484	4,102	13,586	716	85.31	-14.69
23	3,062	1,324	4,386	716	79,45	-20.55
24	3,623	1,558	5,180	715	75.71	-24.29
25	104,007	42,964	146,971	707	80.06	-19.94
26	6,959	2,518	9,477	681	84.58	-15.42
27	6,789	2,406	9,195	677	79.21	-20.79
28	1,252	387	1,638	655	85.81	-14.19
29	5,642	1,695	7,337	650	73.43	-26.58
30	2,766	721	3,487	630	72.07	-27.93
31	3,032	795	3,827	631	70.00	-30.00
32	2,493	607	3,100	622	73.63	-26.37
Totals	509,701	296,876	806,573	———	———	———
Average Weighted Deviation	— — —	— — —	— — —	— — —	— — —	15.42

FIGURE 10-1. MODEL I-A REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

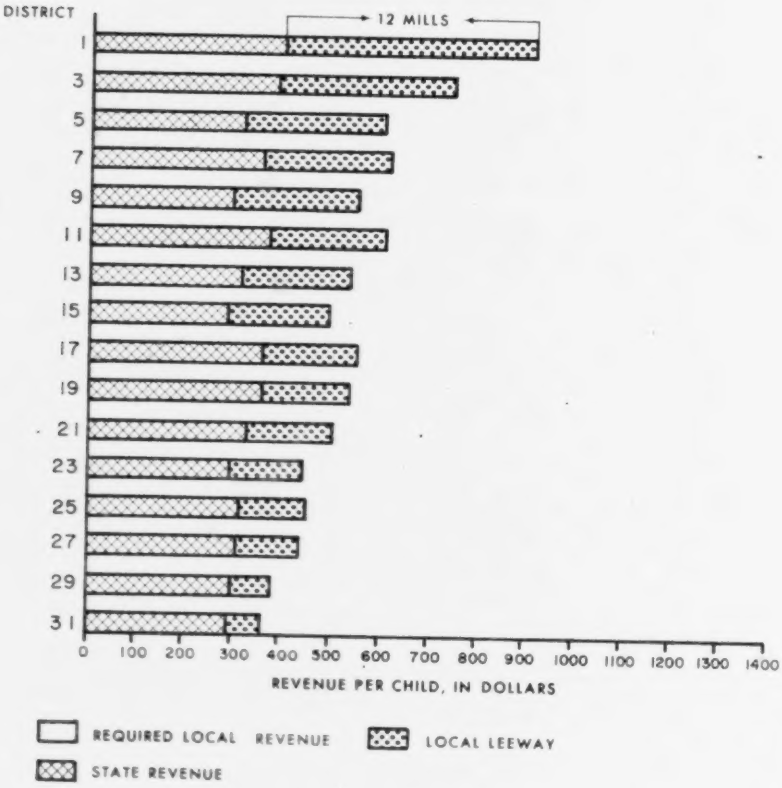


TABLE 10-6—MODEL I-B

FLAT GRANT OF $352.1696 PER PUPIL IN WADM ALLOCATION FOR TRANSPORTATION LOCAL TAX RATE OF 12 MILLS

District	Amount Alloc for trans in Dollars	State Appropriation $352. 1696 Amt Allocated Per WADM In Thousands of Dollars	Total State Alloc In Thousands of Dollars	Local Revenue Yield of 12 Mill Levy In Thousands of Dollars	Total Revenue In Thousands of Dollars	Total Revenue Per WADM In Dollars	Ratio of Dist Revenue to Complete Equal Revenue in %	Deviation from 100% Equalized
1	28,140	6,316	6,344	9,256	15,600	870	153.68	53.68
2	0	4,805	4,805	6,725	11,530	845	149.71	49.71
3	129,600	14,888	15,017	15,439	30,457	720	126.95	26.95
4	2,025,199	56,383	58,408	55,492	113,900	711	123.27	23.27
5	156,585	2,705	2,862	2,173	5,035	655	112.06	12.06
6	217,838	4,657	4,876	3,520	8,394	635	109.28	9.28
7	631,659	6,942	7,574	5,157	12,731	646	108.27	8.27
8	65,285	847	912	624	1,536	639	107.97	7.97
9	344,760	3,801	4,145	2,721	6.867	636	106.69	6.69
10	2,275,609	62,347	64,623	43,042	107,665	608	105.34	5.34
11	89,440	1,433	1,523	938	2,461	605	103.11	3.11
12	104,762	2,171	2,276	1,420	3,696	600	103.12	3.12
13	140,800	2,118	2,259	1,290	3,549	590	100.38	.38
14	2,227,033	73,737	75,964	44,581	120,544	576	100.11	.11
15	283,465	2,550	2,832	1,464	4,297	594	98.35	– 1.66
16	632,443	7,819	8,451	4,184	12,635	569	95.98	– 4.02
17	1,649,358	34,162	35,812	18,156	53,967	556	95.68	– 4.32
18	418,744	10,614	11,033	5,498	16,531	548	94.84	– 5.16
19	879,995	13,750	14,630	6,665	21,295	545	92.92	– 7.08
20	522,555	7,361	7,884	3,505	11,388	545	92.43	– 7.57
21	654,440	12,505	13,159	5,947	19,107	538	92.31	– 7.69
22	394,525	9,690	10,085	4,102	14,187	516	89.08	–10.92
23	342,355	3,230	3,573	1,324	4,897	534	88.70	–11.30
24	287,980	4,089	4,377	1,558	5,935	511	86.74	–13.26
25	230,496	114,395	114,625	42,964	157,589	485	85.84	–14.16
26	456,729	6,706	7,163	2,518	9,681	508	86.39	–13.61
27	683,995	6,816	7,500	2,406	9,906	512	85.33	–14.67
28	141,904	1,103	1,245	387	1,631	521	85.45	–14.55
29	488,345	5,930	6,418	1,695	8,113	482	81.19	–18.81
30	243,705	2,866	3,110	721	3,831	471	79.19	–20.81
31	321,100	3,210	3,531	795	4,326	475	79.13	–20.87
32	162,030	2,525	2,687	607	3,295	459	78.27	–21.73
Totals	17,230,840	492,468	509,698	296,875	806,573	——	——	——
Average Weighted Deviation								11.40

FIGURE 10-2. MODEL I-B REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

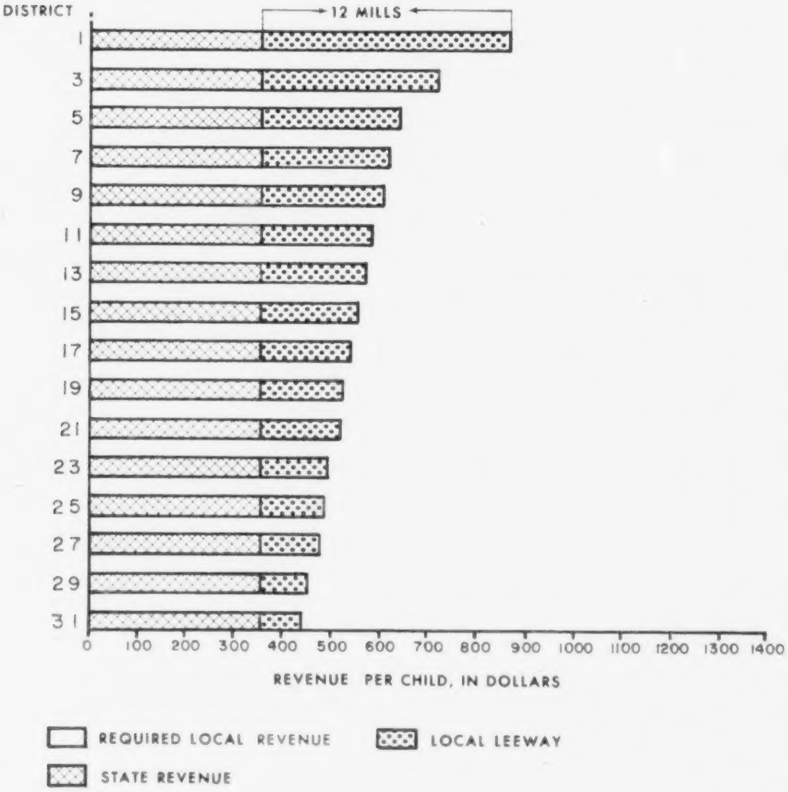


TABLE 10-7—MODEL II-A

Minimum Foundation Program Allocation for Transportation
Allocation of $604.4404 Per ADM 5 Mill Levy Chargeback
7 Mill Levy Local Tax Leeway

District	Amt Alloc For Trans in Dollars	$604.4404 Amt Alloc Per ADM in Thousands of Dollars	State Appropriations Total Found Program in Thousands of Dollars	5 Mills Equal Val in Thousands of Dollars	Total State Appropriation in Thousands of Dollars	Additional Local Rev 7 Mills Equal Val in Thousands of Dollars	Total Revenue in Thousands of Dollars	Total Revenue Per Pupil in ADM in Dollars	Ratio of Dist Revenue to Complete Equal Revenue in %	Deviation from 100% Equalized
1	28,140	8,601	8,629	3,857	4,773	5,400	14,029	986	138.20	38.20
2	0	6,335	6,335	2,802	3,533	3,923	10,259	979	133.19	33.19
3	129,600	19,664	19,793	6,433	13,360	9,006	28,800	885	120.04	20.04
4	2,025,199	74,538	76,564	23,122	53,442	32,370	108,934	883	117.90	17.90
5	156,585	3,141	3,298	905	2,393	1,267	4,565	878	101.61	1.61
6	217,838	6,153	6,370	1,467	4,904	2,053	8,424	828	109.66	9.66
7	631,659	9,200	9,831	2,149	7,682	3,009	12.840	844	109.20	9.20
8	65,285	1,095	1,160	260	900	364	1,524	841	107.14	7.14
9	344,760	4,266	4,611	1,134	3,477	1,588	6,198	878	96.30	– 3.70
10	2,275,609	83,007	85,283	17,934	67,349	25,108	110,391	804	108.01	8.01
11	89,440	1,953	2,042	391	1,651	547	2,590	802	108.50	8.50
12	104,762	2,859	2,964	592	2,371	829	3,792	802	105.81	5.81
13	140,800	2,457	2,598	538	2,060	753	3,350	824	94.77	– 5.23
14	2,227,033	99,928	102,156	18,575	83,580	26,006	128,161	775	106.43	6.43
15	283,465	2,878	3,161	610	2,551	854	4.015	843	91.90	– 8.10
16	632,443	10,063	10,698	1,743	8,953	2,441	13,136	789	99.78	– .22
17	1,649,358	44,695	46,345	7,565	38,780	10,591	56,935	770	100.94	.94
18	418,744	12,838	13,257	2,291	10,966	3,207	16,464	775	94.45	– 5.55
19	879,995	18,143	19,023	2,777	16,246	3,888	22,912	763	99.97	– .03
20	522,555	8,983	9,505	1,460	8,045	2,044	11,550	777	93.74	– 6.26
21	654,440	15,118	15,772	2,478	13,294	3,469	19,241	769	92.96	– 7.04
22	394,525	11,465	11,860	1,709	10,150	2,393	14,2[illegible]3	751	89.49	–10.51
23	342,355	3,702	4,044	552	3,492	772	4,8[illegible]6	786	87,24	–12.76
24	287,980	4,379	4,667	649	4,018	909	5,576	770	81.49	–18.51
25	230,496	125,732	125,963	17,902	108,061	25,063	151,025	726	82.26	–17.74
26	456,729	8,413	8,869	1,049	7,820	1,469	10,338	743	92.26	– 7.74
27	683,995	8,206	8,890	1,003	7,888	1,404	10,294	758	88.68	–11.32
28	141,904	1,513	1,655	161	1,494	226	1,881	751	98.49	– 1.51
29	488,345	6,821	7,309	706	6,603	989	8,298	735	83.03	–16.97
30	243,705	3,343	3,589	301	3,286	421	4,008	725	82.84	–17.16
31	321,100	3,665	3,986	331	3,655	464	4,450	734	81.40	–18.60
32	162,030	3,013	3,175	253	2,922	354	3,529	708	83.84	–16.16
Totals	17,230,840	616,166	633,396	123,698	509,698	17[illegible],178	806,573			
Average Weighted Deviation										11.63

FIGURE 10-3. MODEL II-A REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

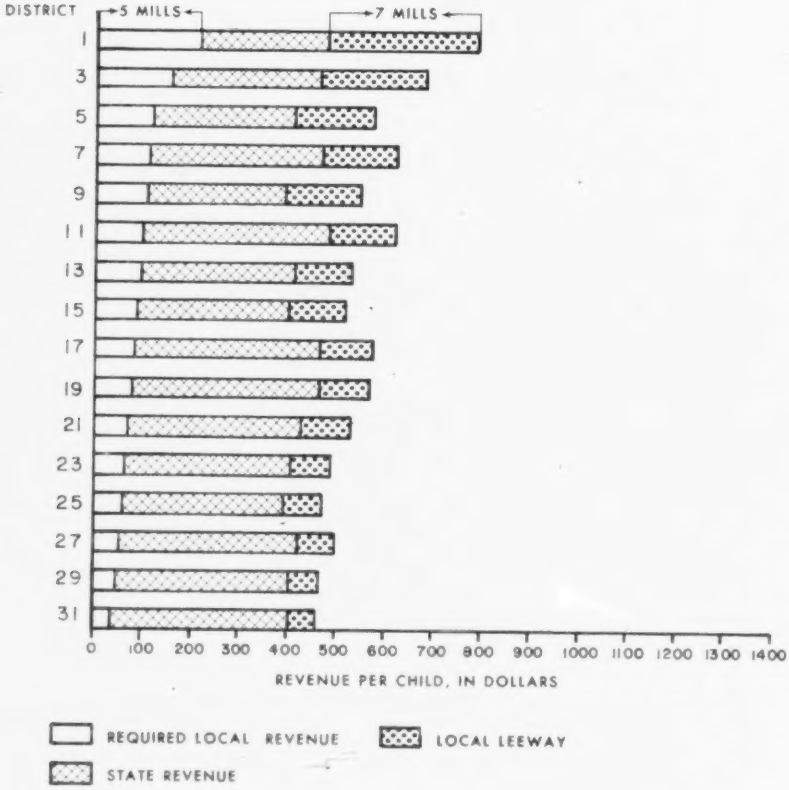


TABLE 10-8—MODEL II-B

MINIMUM FOUNDATION PROGRAM ALLOCATION FOR TRANSPORTATION
ALLOCATION OF $440.6274 PER WADM 5 MILL LEVY CHARGEBACK
7 MILL LEVY LOCAL TAX LEEWAY

District	Amt Alloc for Trans in Dollars	$440.6274 Amt Alloc Per WADM in Thousands of Dollars	State Appropriations Total Found Program in Thousands of Dollars	5 Mills × Equal Val in Thousands of Dollars	Total State Appropriation in Thousands of Dollars	Local Rev Revenue 7 Mills × Equal Val in Thousands of Dollars	Total Revenue in Thousands of Dollars	Total Revenue Per Pupil in WADM in Dollars	Ratio of Dist Revenue to Complete Equal Revenue in %	Deviation from 100% Equalization
1	28,140	7,902	7,930	3,857	4,074	5,400	13,330	743	131.31	31.31
2	0	6,012	6,012	2,802	3,210	3,923	9,935	728	129.00	29.99
3	129,600	18,627	18,757	6,433	12,324	9,006	27,763	657	115.72	15.72
4	2,025,199	70,545	72,570	23,122	49,449	32,370	104,940	655	113.58	13.58
5	156,585	3,385	3,541	905	2,636	1,267	4,809	626	107.04	7.04
6	217,838	5,826	6,044	1,467	4,578	2,053	8,097	612	105.41	5.41
7	631,659	8,686	9,317	2,149	7,168	3,009	12,326	625	104.83	4.83
8	65,285	1,059	1,125	260	865	364	1,488	619	104.65	4.65
9	344,760	4,755	5,100	1,134	3,966	1,588	6,688	620	103.90	3.90
10	2,275,609	78,008	80,283	17,934	62,349	25,108	105,391	595	103.11	3.11
11	89,440	1,793	1,883	391	1,492	547	2,430	597	101.82	1.82
12	104,762	2,716	2,821	592	2,229	829	3,649	592	101.82	1.82
13	140,800	2,650	2,791	538	2,253	753	3,543	589	100.22	.22
14	2,227,033	92,258	94,485	18,575	75,909	26,006	120,490	575	100.06	.06
15	283,465	3,189	3,473	610	2,863	854	4,327	598	99.03	– .97
16	632,443	9,783	10,415	1,743	8,672	2,441	12,856	579	97.65	– 2.35
17	1,649,358	42,743	44,392	7,565	36,828	10,591	54,983	567	97.48	– 2.52
18	418,744	13,280	13,699	2,291	11,408	3,207	16,906	561	96.99	– 3.01
19	879,995	17,204	18,084	2,777	15,307	3,888	21,972	563	95.87	– 4.13
20	522,555	9,210	9,733	1,460	8,272	2,044	11,777	563	95.58	– 4.42
21	654,440	15,646	16,300	2,478	13,822	3,469	19,770	557	95.52	– 4.48
22	394,525	12,124	12,519	1,709	10,810	2,393	14,912	542	93.63	– 6.37
23	342,355	4,042	4,384	552	3,833	772	5,156	562	93.41	– 6.59
24	287,980	5,117	5,405	649	4,755	909	6,313	544	92.27	– 7.73
25	230,496	143,128	143,359	17,902	125,457	25,063	168,421	518	91.74	– 8.26
26	456,729	8,390	8,847	1,049	7,798	1,469	10,316	542	92.06	– 7.94
27	683,995	8,527	9,211	1,003	8,209	1,404	10,615	548	91.44	– 8.56
28	141,904	1,380	1,521	161	1,360	226	1,747	558	91.51	– 8.49
29	488,345	7,419	7,908	706	7,201	989	8,896	528	89.03	–10.97
30	243,705	3,586	3,830	301	3,529	421	4,251	522	87.86	–12.14
31	321,100	4,017	4,338	331	4,007	464	4,801	527	87.83	–12.17
32	162,030	3,160	3,322	253	3,069	354	3,676	513	87.32	–12.68
Totals	17,230,840	616,166	633,396	123,698	509,697	173,178	806,573			
Average Weighted Deviation										6.65

FIGURE 10-4. MODEL II-B REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

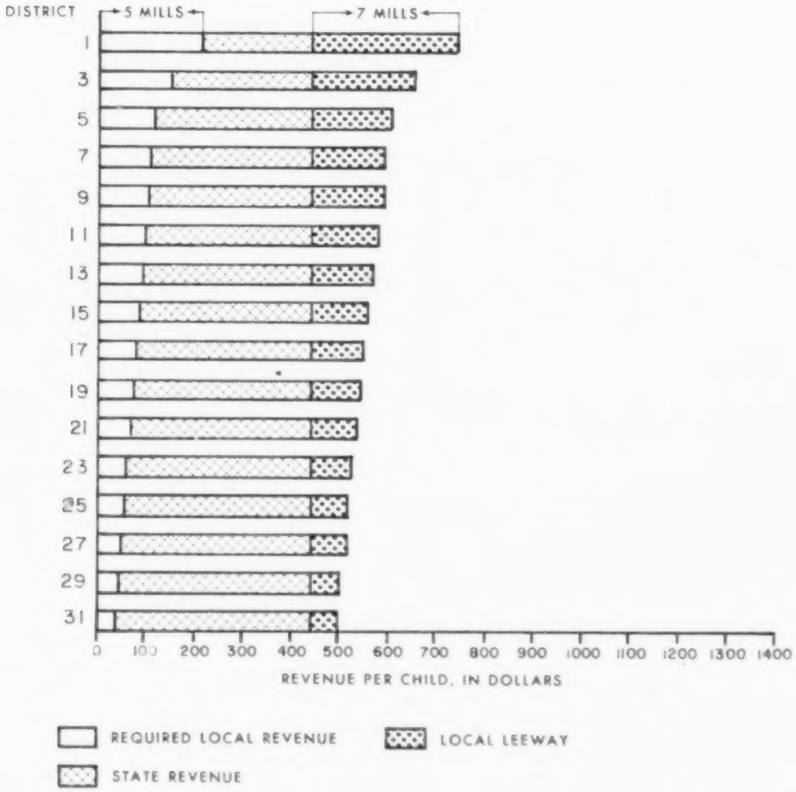


TABLE 10-9—MODEL II-C

MINIMUM FOUNDATION PROGRAM ALLOCATION FOR TRANSPORTATION
ALLOCATION OF $529.0856 PER WADM 10 MILL LEVY CHARGEBACK
2 MILL LEVY LOCAL TAX LEEWAY

		State Appropriations								
District	*Amt Alloc for Trans in Dollars*	*$529.0856 Amt Alloc Per WADM in Thousands of Dollars*	*Total Found Program in Thousands of Dollars*	*10 Mills × Equal Val in Thousands of Dollars*	*Total State Appropriation in Thousands of Dollars*	*Local Rev Revenue 2 Mills Equal Val in Thousands of Dollars*	*Total Revenue in Thousands of Dollars*	*Total Revenue Per Pupil in WADM in Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation from 100% Equalization*
1	28,140	9,489	9,517	7,714	1,803	1,543	11,059	617	108.95	8.95
2	0	7,219	7,219	5,604	1,615	1,121	8,340	611	108.28	8.28
3	129,600	22,367	22,496	12,866	9,630	2,573	25,069	593	104.49	4.49
4	2,025,199	84,707	86,732	46,243	40,489	9,249	95,981	600	103.88	3.88
5	156,585	4,064	4,221	1,811	2,410	362	4,583	597	102.01	2.01
6	217,838	6,996	7,214	2,933	4,281	587	7,801	590	101.55	1.55
7	631,659	10,429	11,061	4,298	6,763	860	11,921	605	101.38	1.38
8	65,285	1,272	1,337	520	817	104	1,441	599	101.33	1.33
9	344,760	5,710	6,055	2,268	3,787	454	6,508	603	101.11	1.11
10	2,275,609	93,668	95,944	35,868	60,075	7,174	103,118	582	100.89	.89
11	89,440	2,153	2,243	782	1,461	156	2,399	589	100.52	.52
12	104,762	3,261	3,366	1,184	2,182	237	3,603	584	100.52	.52
13	140,800	3,182	3,323	1,075	2,248	215	3,538	588	100.06	.06
14	2,227,033	110,779	113,006	37,151	75,855	7,430	120,436	575	100.02	.02
15	283,465	3,830	4,113	1,220	2,893	244	4,357	602	99.72	- .28
16	632,443	11,747	12,379	3,486	8,893	697	13,076	589	99.33	- .67
17	1,649,358	51,324	52,973	15,130	37,844	3,026	55,999	577	99.28	- .72
18	418,744	15,946	16,365	4,582	11,783	916	17,281	573	99.14	- .86
19	879,995	20,658	21,538	5,554	15,983	1,111	22,648	580	98.82	-1.18
20	522,555	11,059	11,582	2,921	8,661	584	12,166	582	98.74	-1.26
21	654,440	18,787	19,441	4,956	14,485	991	20,432	575	98.72	-1.28
22	394,525	14,558	14,953	3,419	11,534	684	15,637	568	98.18	-1.82
23	342,355	4,853	5,196	1,103	4,093	221	5,416	590	98.12	-1.88
24	287,980	6,144	6,432	1,298	5,133	260	6,691	576	97.79	-2.21
25	230,496	171,862	172,092	35,804	136,289	7,161	179,253	552	97.64	-2.36
26	456,729	10,075	10,532	2,098	8,433	420	10,951	575	97.73	-2.27
27	683,995	10,239	10,923	2,005	8,918	401	11,324	585	97.56	-2.44
28	141,904	1,657	1,798	322	1,476	64	1,863	595	97.58	-2.42
29	488,345	8,909	9,397	1,412	7,985	282	9,680	575	96.86	-3.14
30	243,705	4,306	4,550	601	3,949	120	4,670	574	96.53	-3.47
31	321,100	4,823	5,144	662	4,482	132	5,277	579	96.52	-3.48
32	162,030	3,794	3,956	506	3,450	101	4,057	566	96.38	-3.62
Totals	17,230,840	739,864	757,095	247,397	509,698	49,479	806,573			
Average Weighted Deviation										1.90

FIGURE 10-5. MODEL II-C REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

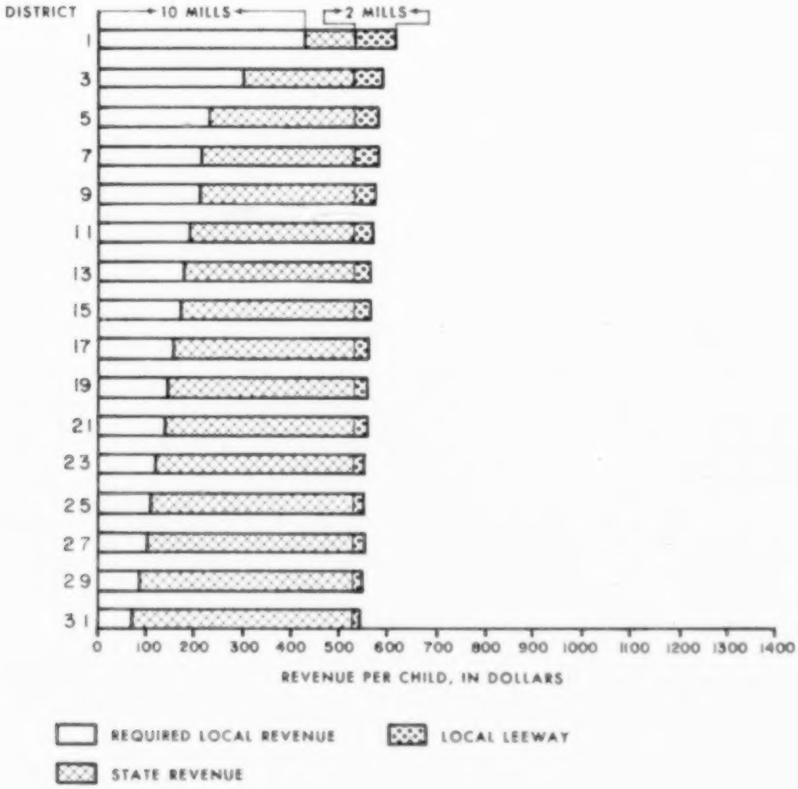


TABLE 10-10—MODEL II-D

COMPLETE EQUALIZATION MODEL MINIMUM FOUNDATION PROGRAM
ALLOCATION FOR TRANSPORTATION ALLOCATION OF $564.4685 PER WADM
12 MILL LEVY CHARGEBACK 0 MILL LEVY LOCAL TAX LEEWAY

District	*Amt Allor For Trans in Dollars*	*$564.4685 Amt Allor Per WADM in Thousands of Dollars*	*Total Found Program in Thousands of Dollars*	*State Appropriations 12 Mill × Equal Val in Thousands of Dollars*	*Total State Appropriation in Thousands of Dollars*	*Total Revenue in Thousands of Dollars*	*Total Revenue Per WADM in Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation from 100% Equalized*
1	28,140	10,123	10,151	9,256	895	10,151	566	100	0
2	0	7,702	7,702	6,725	977	7,702	564	100	0
3	129,600	23,862	23,992	15,439	8,552	23,992	568	100	0
4	2,025,199	90,372	92,397	55,492	36,905	92,397	577	100	0
5	156,585	4,336	4,493	2,173	2,320	4,493	585	100	0
6	217,838	7,464	7,682	3,520	4,162	7,682	581	100	0
7	631,659	11,127	11,758	5,157	6,601	11,758	597	100	0
8	65,285	1,357	1,422	624	799	1,422	592	100	0
9	344,760	6,092	6,437	2,721	3,715	6,437	596	100	0
10	2,275,609	99,932	102,208	43,042	59,166	102,208	577	100	0
11	89,440	2,297	2,387	938	1,448	2,387	586	100	0
12	104,762	3,479	3,584	1,420	2,164	3,584	581	100	0
13	140,800	3,395	3,536	1,290	2,245	3,536	588	100	0
14	2,227,033	118,187	120,414	44,581	75,833	120,414	575	100	0
15	283,465	4,086	4,369	1,464	2,905	4,369	604	100	0
16	632,443	12,532	13,165	4,184	8,981	13,165	593	100	0
17	1,649,358	54,756	56,406	18,156	38,250	56,406	581	100	0
18	418,744	17,013	17,431	5,498	11,933	17,431	578	100	0
19	879,995	22,039	22,919	6,665	16,254	22,919	587	100	0
20	522,555	11,799	12,321	3,505	8,816	12,321	589	100	0
21	654,440	20,043	20,698	5,947	14,750	20,698	583	100	0
22	394,525	15,532	15,926	4,102	11,824	15,926	579	100	0
23	342,355	5,178	5,520	1,324	4,197	5,520	602	100	0
24	287,980	6,555	6,843	1,558	5,285	6,843	589	100	0
25	230,496	183,355	183,586	42,964	140,621	183,586	565	100	0
26	456,729	10,749	11,205	2,518	8,687	11,205	588	100	0
27	683,995	10,924	11,608	2,406	9,202	11,608	600	100	0
28	141,904	1,767	1,909	387	1,522	1,909	610	100	0
29	488,345	9,505	9,993	1,695	8,298	9,993	593	100	0
30	243,705	4,594	4,838	721	4,117	4,838	594	100	0
31	321,100	5,146	5,467	795	4,672	5,467	600	100	0
32	162,030	4,048	4,210	607	3,602	4,210	587	100	0
Totals	17,230,840	789,343	806,573	296,876	509,698	806,573	—	—	—
Average Weighted Deviation									0

FIGURE 10-6. MODEL II-D REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

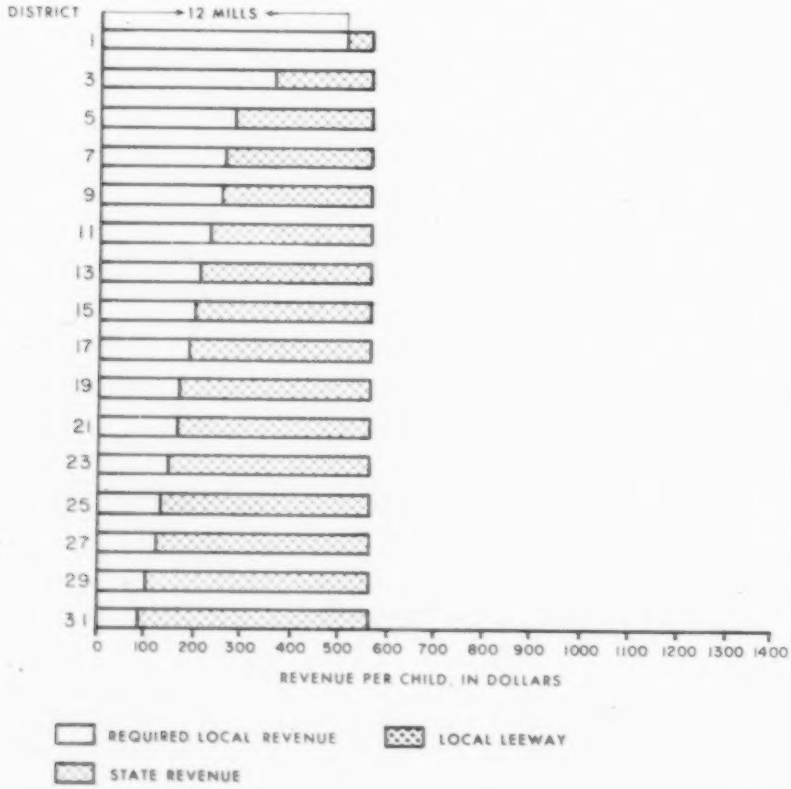


TABLE 10-11—MODEL III

PERCENTAGE EQUALIZING GRANT—STATE REV = A × [1 − (D/S × E)]
PERCENTAGE BASED UPON LOCAL CONTRIBUTION ON 5 MILL OF EQUAL
VALUE OF PROPERTY ALLOCATION FOR TRANSPORTATION WEIGHTED PUPILS

District	Amt Alloc For Trans in Dollars	440.6274 Amt Alloc Per WADM in Thousands of Dollars	% of Program Costs Contrib By State	State Contribution in Thousands of Dollars	Total State Appropriation in Thousands of Dollars	Local Rev 7 Mills × Equal Val in Thousands of Dollars	Total Revenue in Thousands of Dollars	Total Revenue Per Pupil in WADM in Dollars	Ratio of Dist Revenue to Complete Equal Revenue in %	Deviation from 100% Equalized
1	28,140	7,902	51.1931	4,045	4,074	5,400	13,330	743	131.31	31.31
2	0	6,012	53.3914	3,210	3,210	3,923	9,935	728	129.00	29.00
3	129,600	18,627	65.4635	12,194	12,324	9,006	27,763	657	115.72	15.72
4	2,025,199	70,545	67.2242	47,423	49,448	32,370	104,940	655	113.58	13.58
5	156,585	3,385	73.2532	2,480	2,636	1,267	4,809	626	107.04	7.04
6	217,838	5,826	74.8290	4,360	4,578	2,053	8,097	612	105.41	5.41
7	631,659	8,686	75.2585	6,537	7,168	3,009	12,326	625	104.88	4.83
8	65,285	1,059	75.4652	799	865	364	1,488	619	104.65	4.65
9	344,760	4,755	76.1537	3,621	3,966	1,588	6,688	620	103.90	3.90
10	2,275,609	78,008	77.0096	60,074	62,349	25,108	105,391	593	103.11	3.11
11	89,440	1,793	78.1981	1,402	1,492	547	2,430	597	101.82	1.82
12	104,762	2,716	78.2107	2,124	2,229	829	3,649	592	101.82	1.82
13	140,800	2,650	79.7132	2,112	2,253	753	3,543	589	100.22	0.22
14	2,227,033	92,258	79.8657	73,682	75,909	26,006	120,490	575	100.06	0.06
15	283,465	3,189	80.8693	2,579	2,863	854	4,327	598	99.03	- 0.96
16	632,443	9,783	82.1808	8,040	8,672	2,441	12,856	579	97.65	- 2.35
17	1,649,358	42,743	82.3016	35,178	36,828	10,591	54,983	567	97.47	- 2.52
18	418,744	13,280	82.7485	10,989	11,408	3,207	16,906	561	96.98	- 3.01
19	879,995	17,204	83.8570	14,427	15,307	3,888	21,972	563	95.86	- 4.13
20	522,555	9,210	84.1447	7,750	8,272	2,044	11,777	563	95.58	- 4.42
21	654,440	15,646	84.1615	13,168	13,822	3,469	19,770	557	95.51	- 4.48
22	394,525	12,124	85.9013	10,415	10,809	2,393	14,912	542	93.63	- 6.37
23	342,355	4,042	86.3543	3,490	3,833	772	5,156	562	93.41	- 6.59
24	287,980	5,117	87,3127	4,467	4,755	909	6,313	544	92.27	- 7.73
25	230,496	143,128	87.4924	125,226	125,457	25,063	168,421	518	91.74	- 8.26
26	456,729	8,390	87.4954	7,341	7,798	1,469	10,316	542	92.06	- 7.94
27	683,995	8,527	88.2430	7,525	8,209	1,404	10,615	548	91.44	- 8.56
28	141,904	1,380	88.3144	1,218	1,360	226	1,747	558	91.51	- 8.49
29	488,345	7,419	90.4818	6,713	7,201	989	8,896	528	89.03	-10.97
30	243,705	3,586	91.6201	3,286	3,529	421	4,251	522	87.86	-12.14
31	321,100	4,017	91.7571	3,686	4,007	464	4,801	527	87.83	-12.17
32	162,030	3,160	91.9905	2,907	3,069	354	3,676	513	87.32	-12.68
Totals	17,230,840	616,166		492,467	509,697	173,178	806,573	——	——	——
Average Weighted Deviation —										6.65

FIGURE 10-7. MODEL III REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

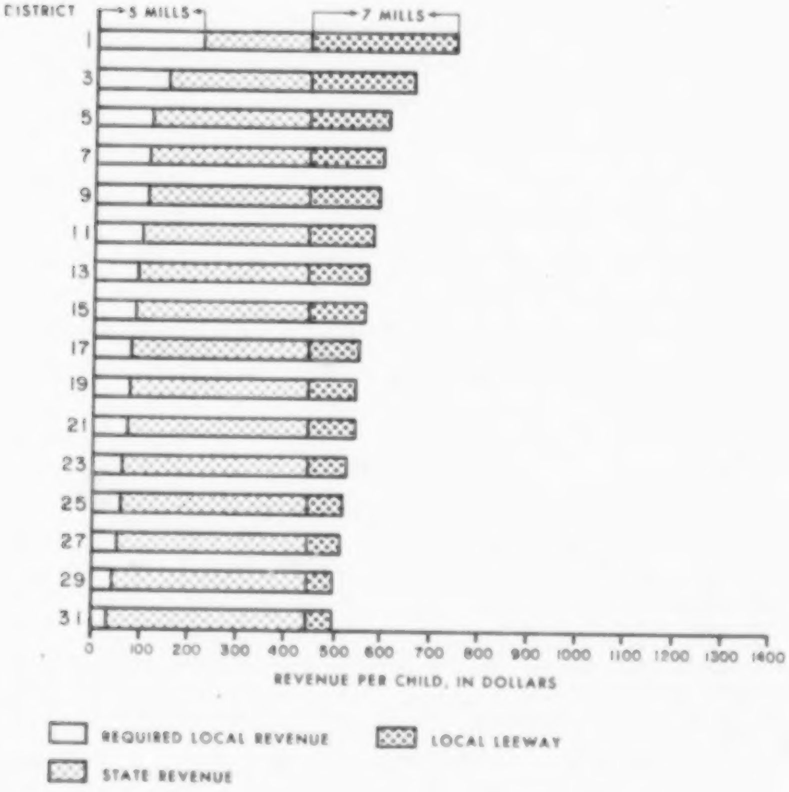


TABLE 10-12—MODEL IV-A

FLAT GRANT OF $440.6274 PER PUPIL IN WADM ALLOCATION FOR TRANSPORTATION EQUIVALENT OF 5 MILLS ON EAV PROVIDED TO STATE FOR DISTRIBUTION. LOCAL TAX RATE OF 7 MILLS

		State Appropriation						
District	*Amount Alloc For Trans in Dollars*	*$440.6274 Amt Allocated Per WADM in Thousands of Dollars*	*Total State Alloc in Thousands of Dollars*	*Local Revenue Yield of 7 Mill Levy in Thousands of Dollars*	*Total Revenue in Thousands of Dollars*	*Total Revenue Per WADM in Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation From 100% Equalized*
1	28,140	7,902	7,930	5,400	13,330	743	131.31	31.31
2	0	6,012	6,012	3,923	9,935	728	129.00	29.00
3	129,600	18,627	18,757	9,006	27,763	657	115.72	15.72
4	2,025,199	70,545	72,570	32,370	104,940	655	113.58	13.58
5	156,585	3,385	3,541	1,267	4,809	626	107.04	7.04
6	217,838	5,826	6,044	2,053	8,097	612	105.41	5.41
7	631,659	8,686	9,317	3,009	12,326	625	104.83	4.83
8	65,285	1,059	1,125	364	1,488	619	104.65	4.65
9	344,760	4,755	5,100	1,588	6,688	620	103.90	3.90
10	2,275,609	78,008	80,283	25,108	105,391	595	103.11	3.11
11	89,440	1,793	1,883	547	2,430	597	101.82	1.82
12	104,762	2,716	2,821	829	3,649	592	101.82	1.82
13	140,800	2,650	2,791	753	3,543	589	100.22	.22
14	2,227,033	92,258	94,485	26,005	120,490	575	100.06	.06
15	283,465	3,189	3,473	854	4,327	598	99.03	– .97
16	632,443	9,783	10,415	2,440	12,856	579	97.65	–2.35
17	1,649,358	42,743	44,392	10,591	54,983	567	97.48	–2.52
18	418,744	13,280	13,699	3,207	16,906	561	96.99	–3.01
19	879,995	17,204	18,084	3,888	21,972	563	95.87	–4.13
20	522,555	9,210	9,733	2,044	11,777	563	95.58	–4.41
21	654,440	15,646	16,300	3,469	19,770	557	95.52	–4.48
22	394,525	12,124	12,519	2,393	14,912	542	93.63	–6.37
23	342,355	4,042	4,384	772	5,156	562	93.41	–6.59
24	287,980	5,117	5,405	909	6,313	544	92.27	–7.73
25	230,496	143,128	143,359	25,063	168,421	518	91.74	–8.26
26	456,729	8,390	8,847	1,469	10,316	542	92.06	–7.94
27	683,995	8,527	9,211	1,404	10,615	548	91.44	–8.56
28	141,904	1,380	1,522	226	1,747	558	91.51	–8.49
29	488,345	7,419	7,908	989	8,896	528	89.02	–10.97
30	243,705	3,586	3,830	421	4,251	522	87.86	–12.14
31	321,100	4,017	4,338	464	4,801	527	87.83	–12.17
32	162,030	3,160	3,322	354	3,676	513	87.32	–12.68
Totals	17,230,840	616,166	633,396	173,175	806,573	———	———	———
Average Weighted Deviation								6.65

FIGURE 10-8. MODEL IV-A REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

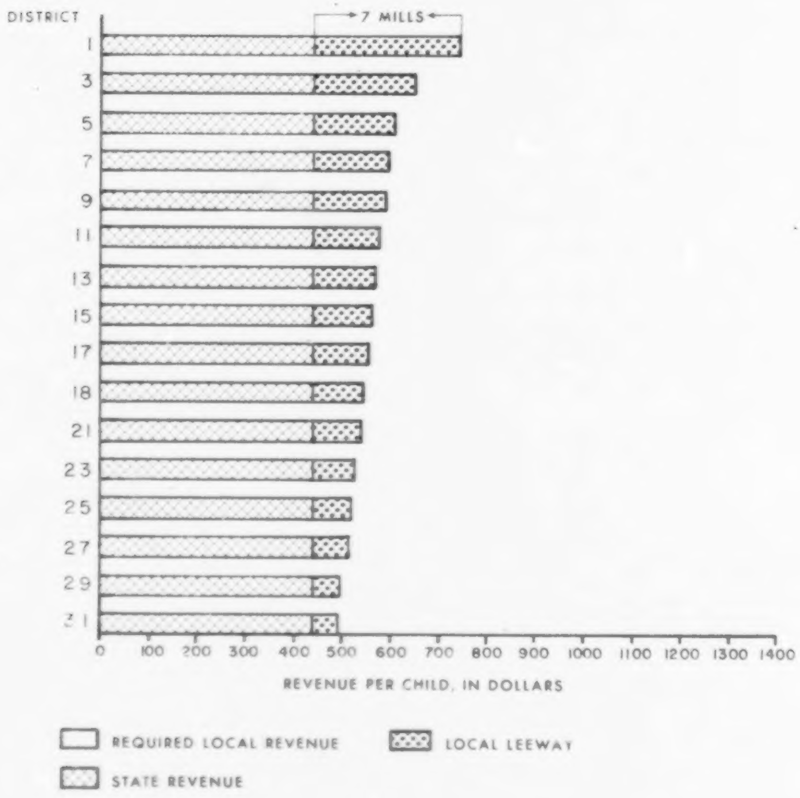


TABLE 10-13—MODEL IV-B

Flat Grant of $493.7023 Per Pupil In WADM Allocation for Transportation Equivalent of 8 Mills on EAV Provided to State for Distribution. Local Tax Rate of 4 Mills

District	Amount Alloc for Trans in Dollars	State Appropriation $493.7023 Amt Allocated Per WADM in Thousands of Dollars	State Appropriation Total State Alloc in Thousands of Dollars	Local Revenue Yield of 4 Mill Levy in Thousands of Dollars	Total Revenue in Thousands of Dollars	Total Revenue Per WADM Complete Equal Revenue in % in Dollars	Ratio of Dist Revenue to Complete Equal Revenue in %	Deviation from 100% Equalized
1	28,140	8,854	8,882	3,085	11,968	667	117.89	17.89
2	0	6,736	6,736	2,242	8,978	658	116.57	16.57
3	129,600	20,871	21,000	5,146	26,147	619	108.98	8.98
4	2,025,199	79,042	81,067	18,497	99,565	622	107.76	7.76
5	156,585	3,793	3,949	724	4,673	608	104.02	4.02
6	217,838	6,528	6,746	1,173	7,919	599	103.09	3.09
7	631,659	9,732	10,364	1,719	12,083	613	102.76	2.76
8	65,285	1,187	1,252	208	1,460	607	102.66	2.66
9	344,760	5,328	5,673	907	6,580	610	102.23	2.23
10	2,275,609	87,404	89,680	14,347	104,027	588	101.78	1.78
11	89,440	2,009	2,099	313	2,412	593	101.04	1.04
12	104,762	3,043	3,148	473	3,621	588	101.04	1.04
13	140,800	2,969	3,110	430	3,540	589	100.13	.13
14	2,227,033	103,370	105,597	14,860	120,458	575	100.04	.04
15	283,465	3,573	3,857	488	4,345	600	99.45	– .55
16	632,443	10,961	11,594	1,395	12,988	585	98.66	–1.34
17	1,649,358	47,892	49,541	6,052	55,593	573	98.56	–1.44
18	418,744	14,880	15,298	1,833	17,131	568	98.28	–1.72
19	879,995	19,276	20,156	2,222	22,378	573	97.64	–2.36
20	522,555	10,319	10,842	1,168	12,010	575	97.48	–2.52
21	654,440	17,530	18,184	1,982	20,167	568	97.44	–2.56
22	394,525	13,585	13,979	1,367	15,347	558	96.36	–3.64
23	342,355	4,529	4,871	441	5,312	579	96.23	–3.77
24	287,980	5,733	6,021	519	6,540	563	95.58	–4.42
25	230,496	160,368	160,599	14,321	174,920	539	95.28	–4.72
26	456,729	9,401	9,858	839	10,697	562	95.46	–4.54
27	683,995	9,555	10,239	802	11,041	570	95.11	–4.89
28	141,904	1,546	1,688	129	1,817	580	95.15	–4.85
29	488,345	8,313	8,801	565	9,366	556	93.73	–6.27
30	243,705	4,018	4,262	240	4,502	553	93.06	–6.94
31	321,100	4,501	4,822	265	5,087	558	93.04	–6.96
32	162,030	3,540	3,702	202	3,905	545	92.76	–7.24
Totals	17,230,840	690,385	707,615	98,959	806,573			
Average Weighted Deviation								3.80

FIGURE 10-9. MODEL IV-B REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

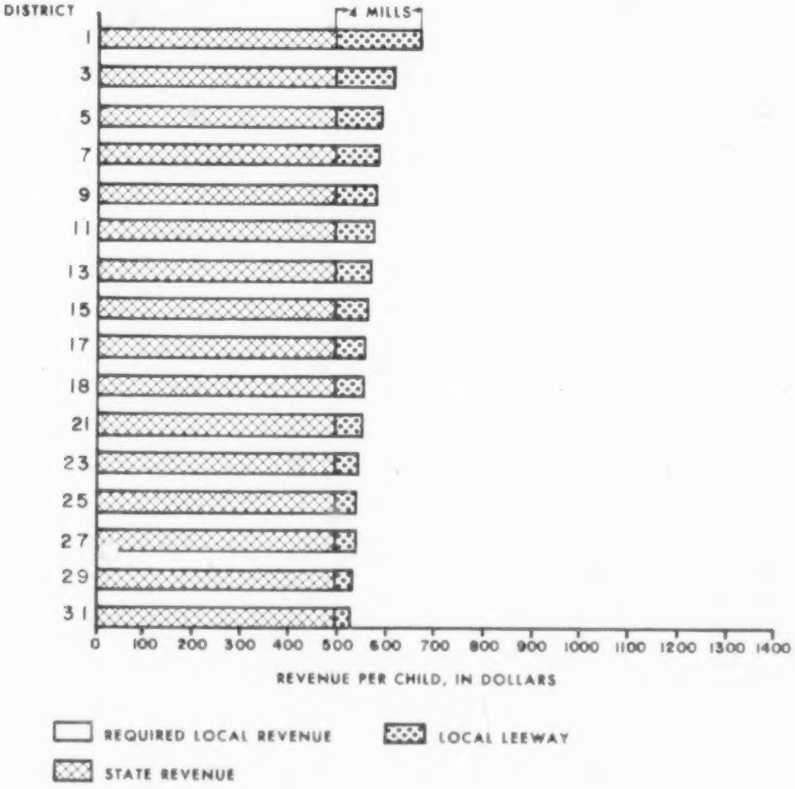


TABLE 10 14—MODEL IV-C

FLAT GRANT OF $564.4685 PER PUPIL IN WADM ALLOCATION FOR TRANSPORTATION EQUIVALENT OF 12 MILLS ON EAV PROVIDED TO THE STATE FOR DISTRIBUTION. LOCAL TAX RATE OF 0 MILLS

		State Appropriation						
District	*Amount Alloc for Trans in Dollars*	*$564.4685 Amt Allocated Per WADM in Thousands of Dollars*	*Total State Alloc in Thousands of Dollars*	*Local Revenue Yield of 0 Mill Levy in Dollars*	*Total Revenue in Thousands of Dollars*	*Total Revenue Per WADM in Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation from 100% Equalized*
1	28,140	10,123	10,151	0	10,151	566	100	0
2	0	7,702	7,702	0	7,702	564	100	0
3	129,600	23,862	23,992	0	23,992	568	100	0
4	2,025,199	90,372	92,397	0	92,397	577	100	0
5	156,585	4,336	4,493	0	4,493	585	100	0
6	217,838	7,464	7,682	0	7,682	581	100	0
7	631,659	11,127	11,758	0	11,758	597	100	0
8	65,285	1,357	1,422	0	1,422	592	100	0
9	344,760	6,092	6,437	0	6,437	596	100	0
10	2,275,609	99,932	102,208	0	102,208	577	100	0
11	89,440	2,297	2,387	0	2,387	586	100	0
12	104,762	3,479	3,584	0	3,584	581	100	0
13	140,800	3,395	3,536	0	3,536	588	100	0
14	2,227,033	118,187	120,414	0	120,414	574	100	0
15	283,465	4,086	4,369	0	4,369	604	100	0
16	632,443	12,532	13,165	0	13,165	593	100	0
17	1,649,358	54,756	56,406	0	56,406	582	100	0
18	418,744	17,013	17,431	0	17,431	578	100	0
19	879,995	22,039	22,919	0	22,919	587	100	0
20	522,555	11,799	12,321	0	12,321	589	100	0
21	654,440	20,043	20,698	0	20,698	583	100	0
22	394,525	15,532	15,926	0	15,926	579	100	0
23	342,355	5,178	5,520	0	5,520	602	100	0
24	287,980	6,555	6,843	0	6,843	589	100	0
25	230,496	183,355	183,586	0	183,586	565	100	0
26	456,729	10,749	11,205	0	11,205	588	100	0
27	683,995	10,924	11,608	0	1,1608	600	100	0
28	141,904	1,767	1,909	0	1,909	610	100	0
29	488,345	9,505	9,993	0	9,993	593	100	0
30	243,705	4,594	4,838	0	4,838	594	100	0
31	321,100	5,146	5,467	0	5,467	600	100	0
32	162,030	4,048	4,210	0	4,210	587	100	0
Totals	17,230,840	789,343	806,573	0	806,573	———	———	———
Average Weighted Deviation — — — —	— —	— —	— —	— —	— —	— —	— —	0

FIGURE 10-10. MODEL IV-C REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

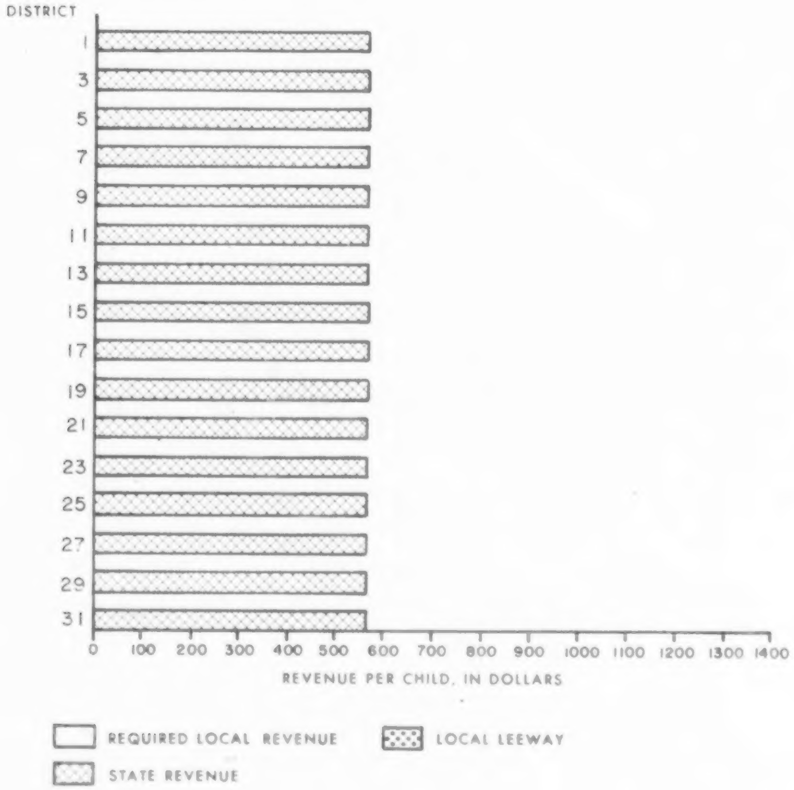


TABLE 10-15—MODEL V-A

MINIMUM FOUNDATION PROGRAM ALLOCATION FOR TRANSPORTATION
ALLOCATION OF $511.3937 PER WADM EQUIVALENT OF 5 MILLS PROVIDED
TO THE STATE FOR DISTRIBUTION IN THE MINIMUM FOUNDATION
PROGRAM 4 MILL LEVY CHARGEBACK 3 MILL LEVY LOCAL TAX LEEWAY

District	*Amt Alloc for Trans in Dollars*	*$511.3937 Amt Alloc Per WADM in Thousands of Dollars*	*State Appropriation Total Found Program in Thousands of Dollars*	*4 Mills × Equal Val in Thousands of Dollars*	*Total State Appropriation in Thousands of Dollars*	*Local Revenue 3 Mills × Equal Val in Thousands of Dollars*	*Total Revenue in Thousands of Dollars*	*Total Revenue Per Pupil in WADM in Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation From 100% Equalized*
1	28,140	9,171	9,199	3,085	6,114	2,314	11,514	642	113.42	13.42
2	0	6,977	6,977	2,242	4,736	1,681	8,659	635	112.43	12.43
3	129,600	21,619	21,748	5,146	16,602	3,860	25,608	606	106.74	6.74
4	2,025,199	81,875	83,900	18,497	65,403	18,873	97,773	611	105.82	5.82
5	156,585	3,929	4,085	724	3,361	543	4,628	602	103.02	3.02
6	217,838	6,762	6,980	1,173	5,807	880	7,860	594	102.32	2.32
7	631.659	10,081	10,712	1,719	8,993	1,289	12,002	609	102.07	2.07
8	65,285	1,229	1,295	208	1,087	156	1,450	603	101.99	1.99
9	344,760	5,519	5,864	907	4,957	680	6,544	606	101.67	1.67
10	2,275,609	90,536	92,812	14,347	78,464	10,761	103,572	585	101.33	1.33
11	39,440	2,081	2,171	313	1,858	235	2,405	591	100.78	.78
12	104,762	3,152	3,257	473	2,784	355	3,612	586	100.78	.78
13	140,800	3,076	3,216	430	2,786	323	3,539	588	100.09	.09
14	2,227,033	107,075	109,302	14,860	94,441	11,145	120,447	575	100.03	.03
15	283,465	3,701	3,985	488	3,497	366	4,351	601	99.95	– .41
16	632,443	11,354	11,986	1,395	10,592	1,046	13,032	587	98.99	–1.01
17	1,649,358	49,608	51,257	6,052	45,205	4,539	55,796	575	98.92	–1.08
18	418,744	15,413	15,832	1,833	13,999	1,375	17,206	571	98.71	–1.29
19	879,995	19,967	20,847	2,222	18,625	1,666	22,513	577	98.23	–1.77
20	522,555	10,689	11,212	1,168	10,043	876	12,088	578	98.11	–1.89
21	654,440	18,159	18,813	1,982	16,831	1,487	20,300	572	98.08	–1.92
22	394,525	14,072	14,466	1,367	13,099	1,026	15,492	563	97.27	–2.73
23	342,355	4,691	5,033	441	4,592	331	5,364	585	97.18	–2.82
24	287,980	5,938	6,226	519	5,707	389	6,616	570	96.69	–3.31
25	230,496	166,115	166,346	14,321	152,024	10,741	177,087	545	96.46	–3.54
26	456,729	9,738	10,195	839	9,355	630	10,824	568	96.60	–3.40
27	683,995	9,897	10,581	802	9,779	602	11,183	578	96.33	–3.67
28	141,904	1,601	1,743	129	1,614	97	1,840	588	96.36	–3.64
29	488,345	8,611	9,099	565	8,534	424	9,523	566	95.30	–4.70
30	243,705	4,162	4,406	240	4,166	180	4,586	563	94.80	–5.20
31	321,100	4,662	4,983	265	4,718	199	5,182	568	94.78	–5.22
32	162,030	3,667	3,829	202	3,627	152	3,981	555	94.57	–5.43
Totals	17,230,840	715,124	732,355	98,959	633,396	74,219	806,573	———	———	———
Average Weighted Deviation —										2.85

FIGURE 10-11. MODEL V-A REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

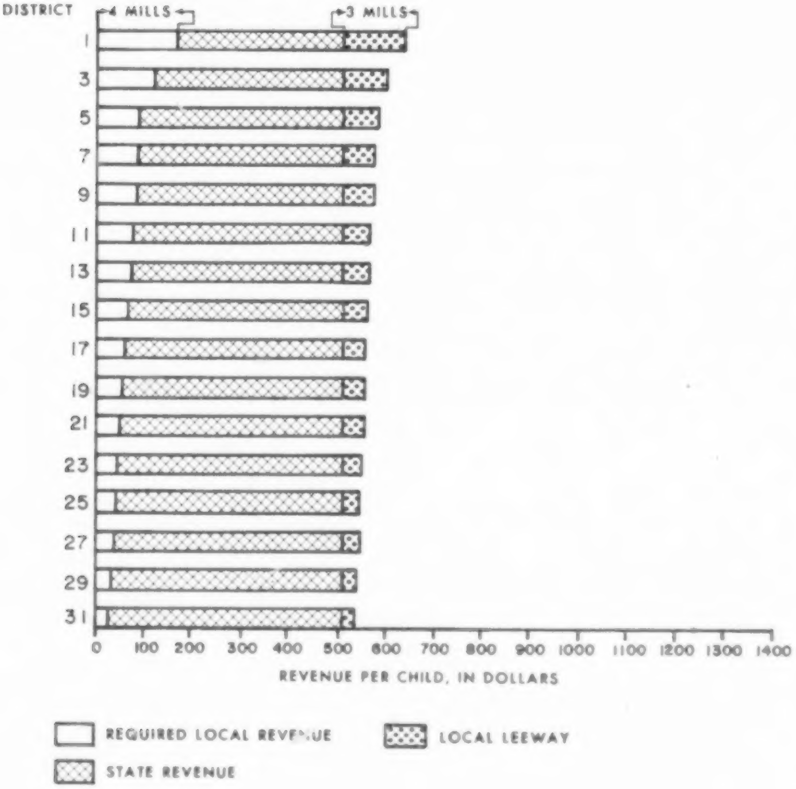


TABLE 10-16—MODEL V-B

MINIMUM FOUNDATION PROGRAM ALLOCATION FOR TRANSPORTATION
ALLOCATION OF $529.0854 PER WADM EQUIVALENT OF 8 MILLS PROVIDED
TO THE STATE FOR DISTRIBUTION IN THE MINIMUM FOUND PROGRAM
2 MILL LEVY CHARGEBACK 2 MILL LEVY LOCAL TAX LEEWAY

District	Amt Alloc for Trans in Dollars	$529.0854 Amt Alloc Per WADM in Thousands of Dollars	State Appropriation Total Found Program in Thousands of Dollars	2 Mills × Equal Val in Thousands of Dollars	Total State Appropriation in Thousands of Dollars	Local Revenue 2 Mills × Equal Val in Thousands of Dollars	Total Revenue in Thousands of Dollars	Total Revenue Per Pupil in WADM in Dollars	Ratio of Dist Revenue to Complete Equal Revenue in %	Deviation from 100% Equalized
1	28,140	9,489	9,517	1,543	7,974	1,543	11,059	617	108.95	8.95
2	0	7,219	7,219	1,121	6,098	1,121	8,340	611	108.28	8.28
3	129,600	22,367	22,496	2,573	19,923	2,573	25,069	593	104.49	4.49
4	2,025,199	84,707	86,732	9,249	77,484	9,249	95,981	600	103.88	3.88
5	156,585	4,064	4,221	362	3,859	362	4,583	597	102.01	2.01
6	217,838	6,996	7,214	587	6,627	587	7,801	590	101.55	1.55
7	631,659	10,429	11,061	860	10,201	860	11,921	605	101.38	1.38
8	65,285	1,272	1,337	104	1,233	104	1,441	599	101.33	1.33
9	344,760	5,710	6,055	454	5,601	454	6,508	603	101.11	1.11
10	2,275,609	93,668	95,944	7,174	88,770	7,174	103,117	582	100.89	.89
11	89,440	2,153	2,243	156	2,086	156	2,399	589	100.52	.52
12	104,762	3,261	3,366	237	3,129	237	3,603	584	100.52	.52
13	140,800	3,182	3,323	215	3,108	215	3,538	588	100.06	.06
14	2,227,033	110,779	113,006	7,430	105,577	7,430	120,436	575	100.02	.02
15	283,465	3,830	4,113	244	3,869	244	4,357	602	99.72	– .28
16	632,443	11,747	12,379	697	11,682	697	13,076	589	99.33	– .67
17	1,649,358	51,324	52,973	3,026	49,947	3,026	55,999	577	99.28	– .72
18	418,744	15,946	16,365	916	15,448	916	17,281	573	99.14	– .86
19	879,995	20,658	21,538	1,111	20,427	1,111	22,648	580	98.82	–1.18
20	522,555	11,059	11,581	584	10,997	584	1[illegible],166	582	98.74	–1.26
21	654,440	18,787	19,441	991	18,450	991	20,432	575	98.72	–1.28
22	394,525	14,558	14,953	684	14,269	684	15,637	568	98.18	–1.82
23	342,355	4,853	5,196	221	4,975	221	5,416	590	98.12	–1.88
24	287,980	6,144	6,432	260	6,172	260	6,691	576	97.79	–2.21
25	230,496	171,862	172,092	7,161	164,932	7,161	179,253	552	97.64	–2.36
26	456,729	10,075	10,532	420	10,112	420	10,951	575	97.73	–2.27
27	683,995	10,239	10,923	401	10,522	401	11,324	585	97.56	–2.44
28	141,904	1,657	1,798	64	1,734	64	1,863	595	97.58	–2.42
29	488,345	8,909	9,397	282	9,115	282	9,680	575	96.86	–3.14
30	243,705	4,306	4,550	120	4,430	120	4,670	574	96.53	–3.47
31	321,100	4,823	5,144	132	5,012	132	5,277	579	96.52	–3.48
32	162,030	3,794	3,956	101	3,855	101	4,057	566	96.38	–3.62
Totals	17,230,840	739,864	757,095	49,480	707,615	49,479	806,573	———	———	———
Average Weighted Deviation										1.90

FIGURE 10-12. MODEL V-B REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

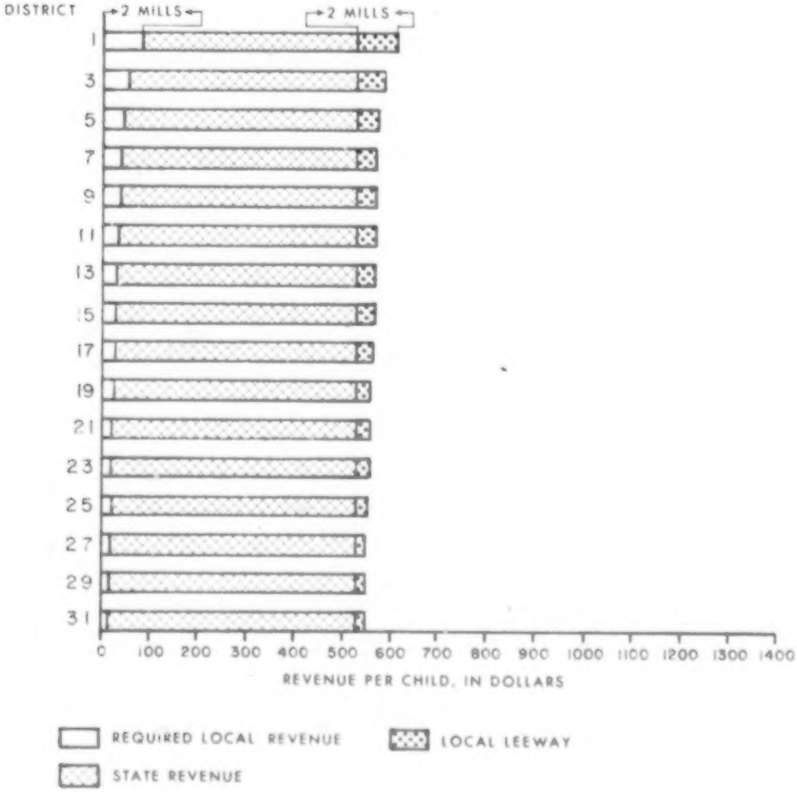


TABLE 10-17—MODEL V-C

MINIMUM FOUNDATION PROGRAM ALLOCATION FOR TRANSPORTATION
ALLOCATION OF $564.4685 PER WADM EQUIVALENT OF 12 MILLS PROVIDED
TO THE STATE FOR DISTRIBUTION IN THE MINIMUM FOUND PROGRAM
0 MILL LEVY CHARGEBACK 0 MILL LEVY LOCAL TAX LEEWAY

				State Appropriations						
District	*Amt Allor for Trans in Dollars*	*$564.4685 Amt Allor Per WADM in Thousands of Dollars*	*Total Found Program in Thousands of Dollars*	*0 Mills Equal Val in Dollars*	*Total State Appropriation in Thousands of Dollars*	*Local Revenue 0 Mills Equal Val in Dollars*	*Total Revenue in Thousands of Dollars*	*Total Revenue Per Pupil in WADM in Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation From 100% Equalized*
1	28,140	10,123	10,151	0	10,151	0	10,151	566	100	0
2	0	7,702	7,702	0	7,702	0	7,702	564	100	0
3	129,600	23,862	23,992	0	23,992	0	23,992	568	100	0
4	2,025,199	90,372	92,397	0	92,397	0	92,397	577	100	0
5	156,585	4,336	4,493	0	4,493	0	4,493	585	100	0
6	217,838	7,464	7,682	0	7,682	0	7,682	581	100	0
7	631,659	11,127	11,758	0	11,758	0	11,758	597	100	0
8	65,285	1,357	1,422	0	1,422	0	1,422	592	100	0
9	344,760	6,092	6,437	0	6,437	0	6,437	596	100	0
10	2,275,609	99,932	102,208	0	102,208	0	102,208	577	100	0
11	89,440	2,297	2,387	0	2,387	0	2,387	586	100	0
12	104,762	3,479	3,584	0	3,584	0	3,584	581	100	0
13	140,800	3,395	3,536	0	3,536	0	3,536	588	100	0
14	2,227,033	118,187	120,414	0	120,414	0	120,414	575	100	0
15	283,465	4,086	4,369	0	4,369	0	4,369	604	100	0
16	632,443	12,532	13,165	0	13,165	0	13,165	593	100	0
17	1,649,358	54,756	56,406	0	56,406	0	56,406	581	100	0
18	418,744	17,013	17,431	0	17,431	0	17,431	578	100	0
19	879,995	22,039	22,919	0	22,919	0	22,919	587	100	0
20	522,555	11,799	12,321	0	12,321	0	12,321	589	100	0
21	654,440	20,043	20,698	0	20,698	0	20,698	583	100	0
22	394,525	15,532	15,926	0	15,926	0	15,926	579	100	0
23	342,355	5,178	5,520	0	5,520	0	5,520	602	100	0
24	287,980	6,555	6,843	0	6,843	0	6,843	589	100	0
25	230,496	183,355	183,386	0	183,586	0	183,586	565	100	0
26	456,729	10,749	11,205	0	11,205	0	11,205	588	100	0
27	683,995	10,924	11,608	0	11,608	0	11,608	600	100	0
28	141,904	1,767	1,909	0	1,909	0	1,909	610	100	0
29	488,345	9,505	9,993	0	9,993	0	9,993	593	100	0
30	243,705	4,594	4,838	0	4,838	0	4,838	594	100	0
31	321,100	5,146	5.467	0	5,467	0	5,467	600	100	0
32	162,030	4,049	4,210	0	4,210	0	4,210	587	100	0
Totals	17,230,840	789,343	806,573	0	806,573	0	806,573	—	—	—
Average Weighted Deviation										0

FIGURE 10-13. MODEL V-C REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

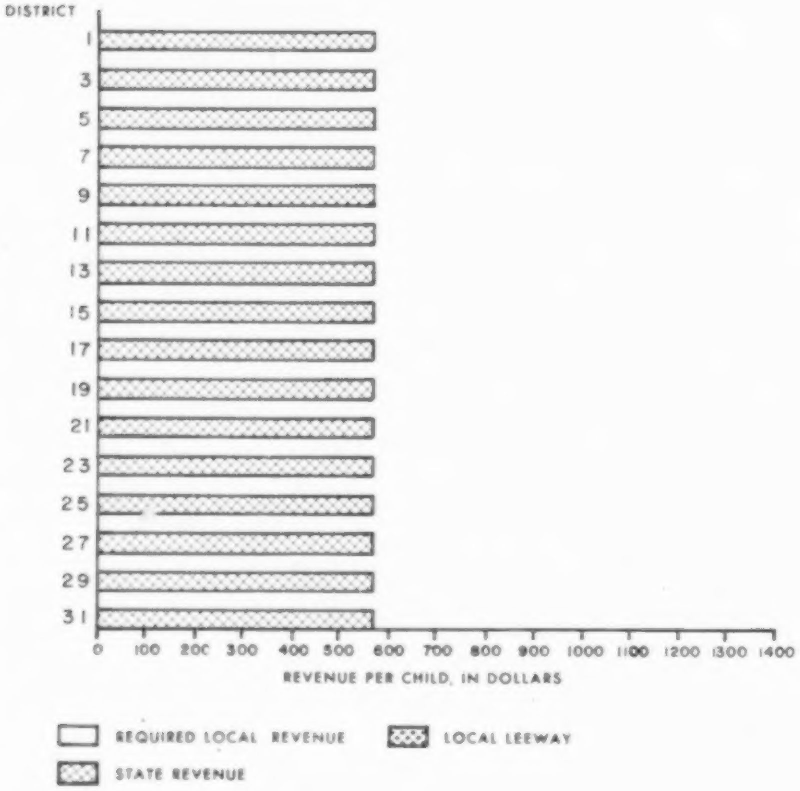


TABLE 10-18—MODEL VI-A

FLAT GRANT OF $276.0942 PER PUPIL IN WADM 50% OF REVENUE FROM STATE FUNDS 50% OF REVENUE FROM LOCAL FUNDS ALLOCATION FOR TRANSPORTATION LOCAL TAX RATE OF 16.3 MILLS

		State Appropriations 276.0942		*Local*				
District	*Amount Alloc for Trans in Dollars*	*Amt Allocated Per WADM in Thousands of Dollars*	*Total State Alloc in Thousands of Dollars*	*Revenue Yield of 16.3 Mill Levy in Thousands of Dollars*	*Total Revenue in Thousands of Dollars*	*Total Revenue Per WADM in Dollars*	*Ratio of Dist Revenue To Complete Equal Revenue in %*	*Deviation from 100% Equalized*
1	28,140	4,951	4,980	12,573	17,553	979	173	72.91
2	0	3,767	3,767	9,135	12,902	946	168	67.52
3	129,600	11,672	11,801	20,972	32,773	775	137	36.60
4	2,025,199	44,203	46,228	75,376	121,604	760	132	31.61
5	156,585	2,121	2,278	2,951	5,229	681	116	16.38
6	217,838	3,651	3,869	4,781	8,650	654	113	12.60
7	631,659	5,442	6,074	7,006	13,080	664	111	11.24
8	65,285	664	729	847	1,576	656	111	10.83
9	344,760	2,980	3,324	3,697	7,021	651	109	9.08
10	2,275,609	48,880	51,155	58,466	109,620	619	107	7.25
11	89,440	1,124	1,213	1,275	2,488	611	104	4.23
12	104,762	1,702	1,807	1,929	3,736	606	104	4.23
13	140,800	1,660	1,801	1,753	3,554	591	101	.516
14	2,227,033	57,808	60,035	60,556	120,591	576	100	.147
15	283,465	1,998	2,282	1,989	4,271	590	98	-2.25
16	632,443	6,130	6,762	5,683	12,445	561	95	-5.47
17	1,649,358	26,783	28,432	24,661	53,093	547	94	-5.87
18	418,744	8,321	8,740	7,469	16,209	538	93	-7.01
19	879,995	10,780	11,660	9,054	20,714	531	90	-9.62
20	522,555	5,774	6,293	4,760	11,054	529	90	-10.28
21	654,440	9,804	10,458	8,078	18,536	522	90	-10.44
22	394,525	7,597	7,992	5,573	13,564	493	85	-14.83
23	342,355	2,533	2,875	1,798	4,673	509	85	-15.35
24	287,980	3,206	3,494	2,116	5,610	483	82	-18.01
25	230,496	89,683	89,914	58,360	148,274	456	81	-19.23
26	456,729	5,257	5,714	3,420	9,134	480	82	-18.48
27	683,995	5,343	6,027	3,268	9,296	480	80	-19.92
28	141,904	864	1,006	526	1,532	489	80	-19.76
29	488,345	4,649	5,137	2,302	7,439	442	74	-25.55
30	243,705	2,247	2,491	980	3,471	427	72	-28.26
31	321,100	2,517	2,838	1,079	3,917	430	72	-28.34
32	162,030	1,980	2,142	825	2,967	414	70	-29.52
Totals	17,230,840	386,085	403,315	403,255	806,572	——	——	——
Average Weighted Deviation								15.48

FIGURE 10-14. MODEL VI-A REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

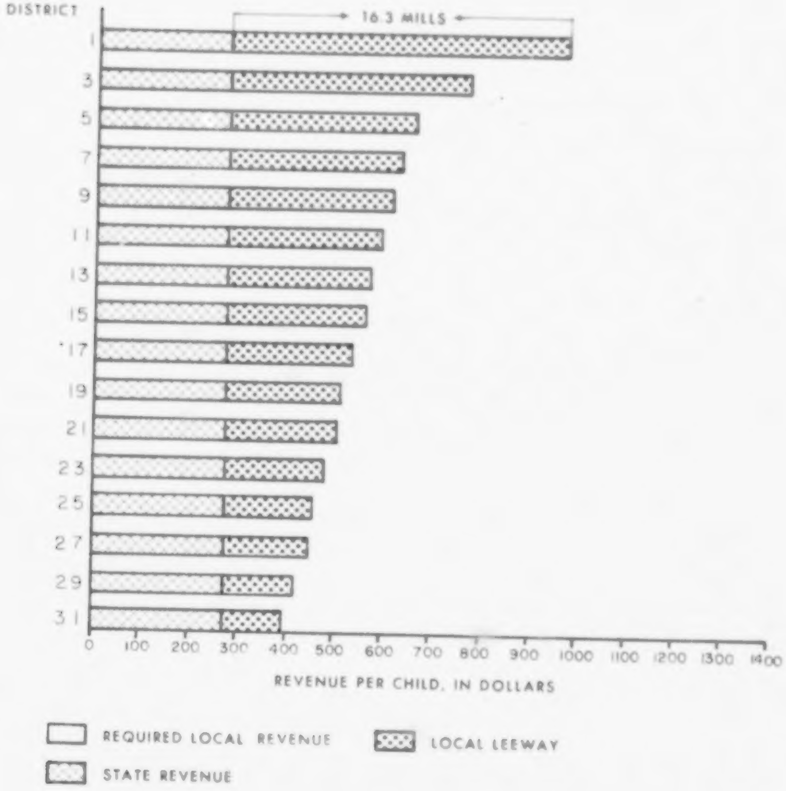


TABLE 10-19—MODEL VI-B

FLAT GRANT OF $131.8751 PER PUPIL IN WADM 25% OF REVENUE FROM STATE FUNDS 75% OF REVENUE FROM LOCAL FUNDS ALLOCATION FOR TRANSPORTATION LOCAL TAX RATE OF 24.452 MILLS

District	*Amount Alloc for Trans in Dollars*	*State Appropriations $131.8751 Amt Allocated Per WADM In Thousands of Dollars*	*Total State Alloc In Thousands of Dollars*	*Local Rev Yield of 24.452 Mill Levy In Thousands of Dollars*	*Total Revenue In Thousands of Dollars*	*Total Revenue Per WADM in Dollars*	*Ratio of Dist Revenue to Complete Equal Revenue in %*	*Deviation From 100% Equalized*
1	28,140	2,365	2,393	18,861	21,255	1,185	209.38	109.38
2	0	1,799	1,799	13,703	15,503	1,136	201.29	101.29
3	129,600	5,575	5,704	31,461	37,165	879	154.91	54.91
4	2,025,199	21,113	23,139	113,074	136,212	851	147.42	47.42
5	156,585	1,013	1,170	4,428	5,597	729	124.58	24.58
6	217,838	1,744	1,962	7,172	9,134	691	118.90	18.90
7	631,659	2,600	3,231	10,509	13,740	697	116.86	16.81
8	65,285	317	382	1,271	1,653	688	116.24	16.24
9	344,760	1,423	1,768	5,545	7,313	678	113.62	13.62
10	2,275,609	23,347	25,623	87,706	113,328	640	110.88	10.88
11	89,440	537	626	1,912	2,538	624	106.34	6.34
12	104,762	813	918	2,894	3,812	618	106.35	6.35
13	140,800	793	934	2,629	3,563	592	100.77	.77
14	2,227,033	27,612	29,839	90,841	120,680	576	100.22	.22
15	283,465	955	1,238	2,984	4,222	583	96.63	− 3.37
16	632,443	2,928	3,560	8,525	12,085	544	91.80	− 8.20
17	1,649,358	12,793	14,442	36,995	51,437	530	91.19	− 8.81
18	418,744	3,975	4,393	11,204	15,597	518	89.48	−10.52
19	879,995	5,149	6,029	13,582	19,611	502	85.56	−14.44
20	522,555	2,756	3,279	7,141	10,420	499	84.57	−15.43
21	654,440	4,683	5,337	12,119	17,456	492	84.33	−15.66
22	394,525	3,629	4,023	8,359	12,383	450	77.75	−22.25
23	342,355	1,210	1,552	2,697	4,249	463	76.98	−23.02
24	287,980	1,531	1,819	3,175	4,994	430	72.98	−27.02
25	230,496	42,837	43,067	87,547	130,614	402	71.15	−28.85
26	456,729	2,511	2,968	5,131	8,099	425	72.28	−27.72
27	683,995	2,552	3,236	4,903	8,139	421	70.12	−29.88
28	141,904	413	555	788	1,343	429	70.35	−29.65
29	488,345	2,221	2,709	3,454	6,162	366	61.67	−38.33
30	243,705	1,073	1,317	1,470	2,787	342	57.60	−42.40
31	321,100	1,202	1,523	1,619	3,142	345	57.48	−42.52
32	162,030	946	1,108	1,238	2,345	327	55.71	−44.29
Totals	17,230,840	184,412	201,643	604,933	806,573			
Average Weighted Deviation								23.23

FIGURE 10-15. MODEL VI-B REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

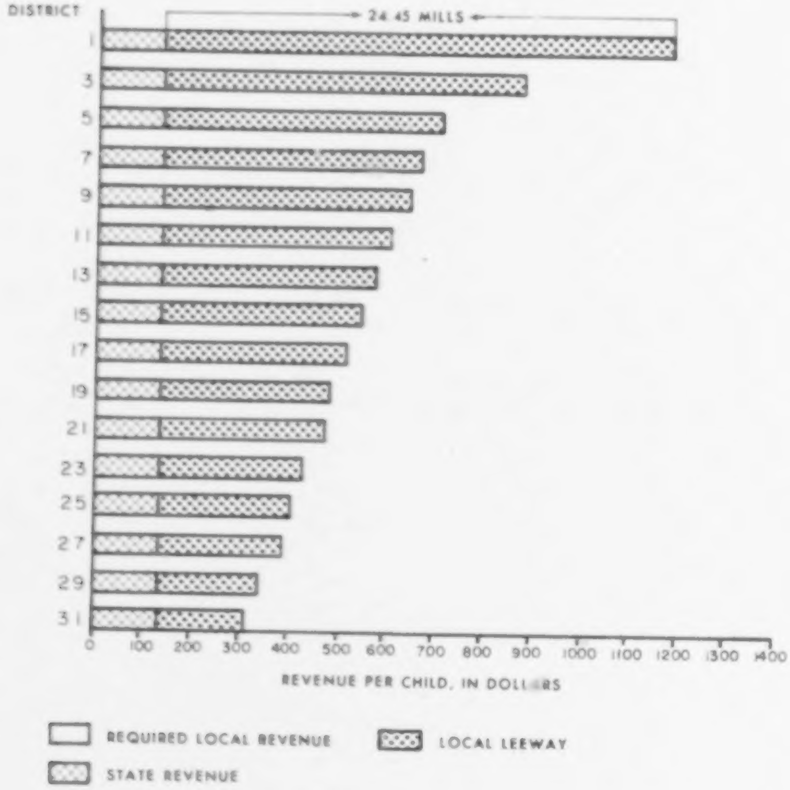


TABLE 10-20—MODEL VII-A

MINIMUM FOUNDATION PROGRAM ALLOCATION FOR TRANSPORTATION
ALLOCATION OF $470.7028 PER WADM 11 MILL LEVY CHARGEBACK
5.3 MILL LEVY LOCAL TAX LEEWAY 50% REVENUE FROM STATE FUNDS
50% REVENUE FROM LOCAL FUNDS

District	Amt Alloc For Trans in Dollars	470.7028 Amt Alloc Per WADM in Thousands of Dollars	State Appropriations Total Found Program in Thousands of Dollars	11 Mill × Equal Val in Thousands of Dollars	Total State Appropriation in Thousands of Dollars	Local Revenue 5.3 Mills × Equal Val in Thousands of Dollars	Total Revenue in Thousands of Dollars	Total Revenue Per Pupil in WADM in Dollars	Ratio of Dist Revenue To Complete Equal Revenue in %	Deviation From 100% Equalized
1	28,140	8,442	8,470	8,485	15	4,088	12,558	700	123.71	23.71
2	0	6,422	6,422	6,165	258	2,970	9,392	688	121.95	21.95
3	129,600	19,898	20,028	14,153	5,875	6,819	26,847	635	111.90	11.90
4	2,025,199	73,360	77,385	50,867	26,518	24,509	101,594	636	110.28	10.28
5	156,585	3,616	3,773	1,992	1,781	960	4,732	616	105.33	5.33
6	217,838	6,224	6,442	3,226	3,216	1,555	7,936	605	104.10	4.10
7	631,659	9,278	9,910	4,728	5,182	2,278	12,188	618	103.65	3.65
8	65,285	1,132	1,197	572	625	275	1,472	612	103.52	3.52
9	344,760	5,080	5,425	2,495	2,930	1,202	6,627	614	102.95	2.95
10	2,275,609	83,332	85,608	39,455	46,153	19,010	104,618	591	102.36	2.36
11	89,440	1,916	2,005	860	1,145	414	2,420	595	101.37	1.37
12	104,762	2,901	3,006	1,302	1,704	627	3,633	589	101.38	1.38
13	140,800	2,831	2,972	1,183	1,789	570	3,541	589	100.17	.17
14	2,227,003	98,555	100,782	40,866	59,916	19,690	120,472	575	100.05	.05
15	283,465	3,407	3,690	1,342	2,348	647	4,337	599	99.27	-.73
16	632,443	10,450	11,085	3,835	7,248	1,848	12,931	582	98.22	-1.78
17	1,649,358	45,660	47,310	16,643	30,667	8,019	55,329	570	98.09	-1.91
18	418,744	14,187	14,605	5,040	9,565	2,428	17,034	565	97.72	-2.28
19	879,995	18,378	19,258	6,110	13,148	2,944	22,202	569	96.87	-3.13
20	522,555	9,839	10,361	3,213	7,149	1,548	11,909	570	96.66	-3.34
21	654,440	16,713	17,368	5,452	11,916	2,627	19,995	563	96.60	-3.40
22	394,525	12,951	13,346	3,761	9,586	1,812	15,158	551	95.18	-4.82
23	342,355	4,318	4,660	1,213	3,447	585	5,245	572	95.01	-4.99
24	287,980	5,466	5,754	1,428	4,326	688	6,442	555	94.14	-5.86
25	230,496	152,897	153,128	39,384	113,744	18,976	172,104	530	93.75	-6.25
26	456,729	8,963	9,420	2,308	7,112	1,112	10,532	553	93.99	-6.01
27	683,995	9,110	9,794	2,206	7,588	1,063	10,856	561	93.52	-6.48
28	141,904	1,474	1,616	355	1,261	171	1,787	571	93.57	-6.43
29	488,345	7,926	8,414	1,554	6,860	749	9,163	544	91.69	-8.31
30	243,705	3,831	4,075	661	3,414	319	4,393	540	90.81	-9.19
31	321,100	4,291	4,612	728	3,884	351	4,963	544	90.78	-9.22
32	162,030	3,375	3,537	557	2,981	268	3,806	531	90.40	-9.60
Totals	17,230,840	658,223	675,453	272,136	403,316	131,120	806,573			
Average Weighted Deviation										5.03

FIGURE 10-16. MODEL VII-A REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

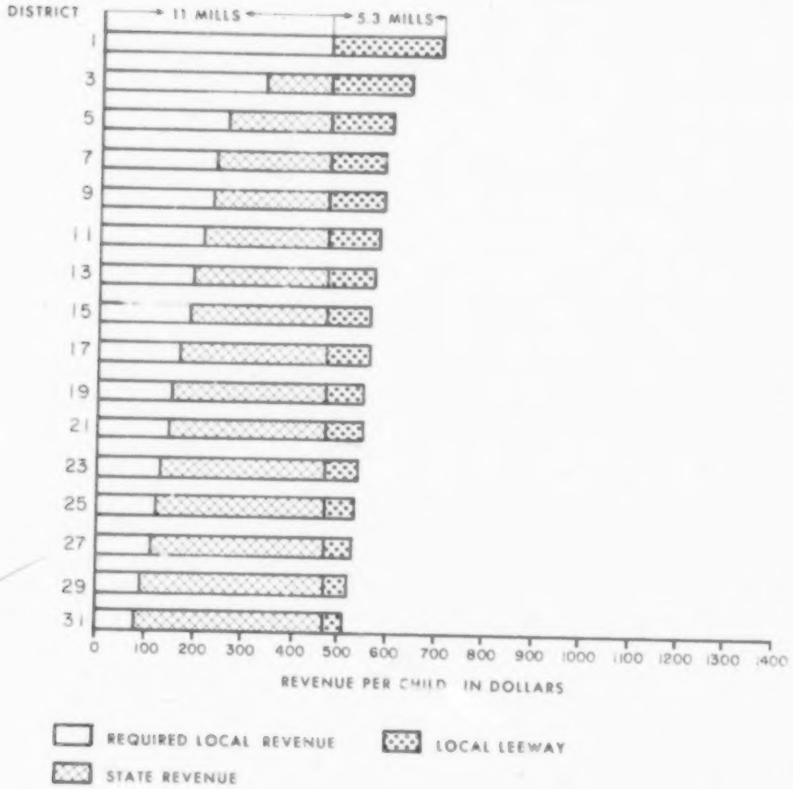


TABLE 10-21—MODEL VII-B

MINIMUM FOUNDATION PROGRAM ALLOCATION FOR TRANSPORTATION ALLOCATION OF $306.2128 PER WADM 10 MILL LEVY CHARGEBACK 14.452 MILL LEVY LOCAL TAX LEEWAY 25% OF REVENUE FROM STATE SOURCES AND 75% OF RESERVE FROM LOCAL SOURCES

District	Amt Alloc for Trans in Dollars	$306.2128 Amt Alloc Per WADM in Thousands of Dollars	Total Found Program in Thousands of Dollars	State Appropriations		Local Revenue 14.452 Mills × Equal Val in Thousands of Dollars	Total Revenue in Thousands of Dollars	Total Revenue Per Pupil in WADM in Dollars	Ratio of Dist Revenue to Complete Equal Revenue in %	Deviation From 100% Equalized
				10 Mills × Equal Val in Thousands of Dollars	Total State Appropriation in Thousands of Dollars					
1	28,140	5,492	5,520	7,714	0	11,148	18,861	1,052	185.80	85.80
2	0	4,178	4,178	5,604	0	8,099	13,703	1,004	177.93	77.93
3	129,600	12,945	13,074	12,866	208	18,594	31,669	749	132.00	32.00
4	2,025,199	49,025	51,050	46,243	4,807	66,831	117,881	736	127.58	27.58
5	156,585	2,352	2,509	1,811	698	2,617	5,126	667	114.09	14.09
6	217,838	4,049	4,267	2,933	1,334	4239	8,506	643	110.73	10.73
7	631,659	6,036	6,668	4,298	2,370	6,211	12,879	653	109.53	9.53
8	65,285	736	801	520	282	751	1,553	646	109.16	9.16
9	344,760	3,305	3,649	2,268	1,382	3,278	6,927	642	107.62	7.62
10	2,275,609	54,211	56,487	35,868	20,618	51,837	108,324	612	105.98	5.98
11	89,440	1,246	1,336	782	554	1,130	2,466	606	103.31	3.31
12	104,762	1,887	1,992	1,184	809	1,711	3,703	601	103.31	3.31
13	140,800	1,842	1,982	1,075	907	1,554	3,537	588	100.02	.029
14	2,227,033	64,114	66,341	37,151	29,191	53,690	120,031	573	99.68	- .32
15	283,465	2,216	2,500	1,220	1,280	1,764	4,263	589	97.58	- 2.42
16	632,443	6,799	7,431	3,486	3,945	5,039	12,470	562	94.72	- 5.28
17	1,649,358	29,704	31,354	15,130	16,224	21,865	53,219	549	94.35	- 5.65
18	418,744	9,229	9,648	4,582	5,066	6,622	16,270	540	93.34	- 6.66
19	879,995	11,956	12,836	5,554	7,281	8,027	20,863	534	91.03	- 8.97
20	522,555	6,400	6,923	2,921	4,002	4,221	11,144	533	90.44	- 9.56
21	654,440	10,873	11,527	4,956	6,571	7,163	18,690	526	90.30	- 9.70
22	394,525	8,426	8,820	3,419	5,402	4,941	13,761	500	86.40	-13.60
23	342,355	2,809	3,151	1,103	2,048	1,594	4,745	517	85.96	-14.04
24	287,980	3,556	3,844	1,298	2,545	1,876	5,720	493	83.59	-16.41
25	230,496	99,467	99,697	35,804	63,893	51,743	151,440	466	82.49	-17.51
26	456,729	5,831	6,288	2,098	4,189	3,033	9,320	489	83.18	-16.82
27	683,995	5,926	6,610	2,005	4,605	2,898	9,508	491	81.91	-18.09
28	141,904	959	1,101	322	778	466	1,567	500	82.05	-17.95
29	488,345	5,156	5,644	1,412	4,232	2,041	7,685	456	76.91	-23.09
30	243,705	2,492	2,736	601	2,135	869	3,605	443	74.51	-25.49
31	321,100	2,791	3,113	662	2,450	957	4,070	446	74.44	-25.56
32	162,030	2,196	2,358	506	1,852	732	3,089	431	73.38	-26.62
Totals	17,230,840	428,202	445,433	247,397	201,658	357,537	806,590			
Average Weighted Deviation										14.29

FIGURE 10-17. MODEL VII-B REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

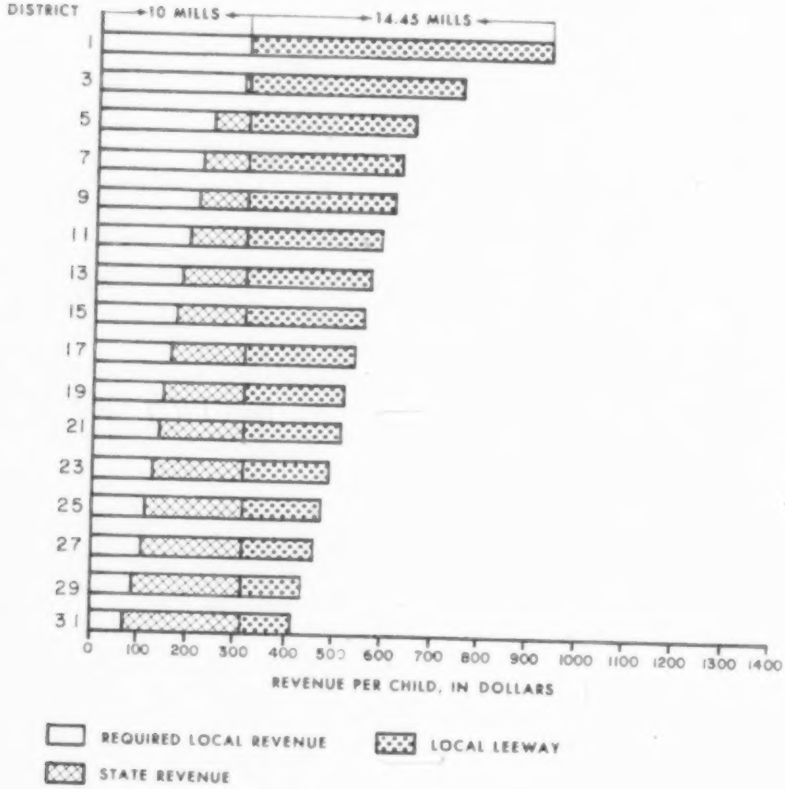


TABLE 10-22—MODEL VIII

TOTAL LOCAL FUNDING OF REVENUE TOTALING $806,571,200 32.6024 LOCAL MILL LEVY AUTHORIZED FOR ALL DISTRICTS

District	*Local Rev 32.6024 Mills × Equal Val in Thousands of Dollars*	*Revenue Per Pupil in WADM in Dollars*	*Ratio of Dist Revenue to Comp Equal Revenue in %*	*Deviation From 100% Equalized*
1	25,148	1,402	247.73	147.73
2	18,271	1,339	237.23	137.23
3	41,947	992	174.84	74.84
4	150,764	942	163.17	63.17
5	5,903	768	131.40	31.40
6	9,563	723	124.49	24.49
7	14,012	711	119.17	19.17
8	1,695	705	119.15	19.15
9	7,394	685	114.87	14.88
10	116,940	661	114.41	14.41
11	2,549	626	106.81	6.81
12	3,859	626	107.66	7.66
13	3,505	583	99.15	– .85
14	121,120	578	100.59	.59
15	3,978	550	91.06	– 8.94
16	11,367	512	86.34	–13.66
17	49,326	508	87.45	–12.55
18	14,938	496	85.70	–14.30
19	18,109	464	79.01	–20.99
20	9,522	456	77.28	–22.72
21	16,158	455	78.07	–21.93
22	11,146	405	69.98	–30.02
23	3,596	392	65.14	–34.85
24	4,233	365	61.86	–38.14
25	116,728	359	63.58	–36.42
26	6,841	359	61.06	–38.95
27	6,537	338	56.32	–43.68
28	1,051	336	55.06	–44.94
29	4,605	273	46.08	–53.92
30	1,960	241	40.50	–59.50
31	2,159	237	39.50	–60.51
32	1,650	230	39.20	–60.60
Totals	806,571	———	———	———
Average Weighted Deviation — — — — — — — —				30.98

FIGURE 10-18. MODEL VIII REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)

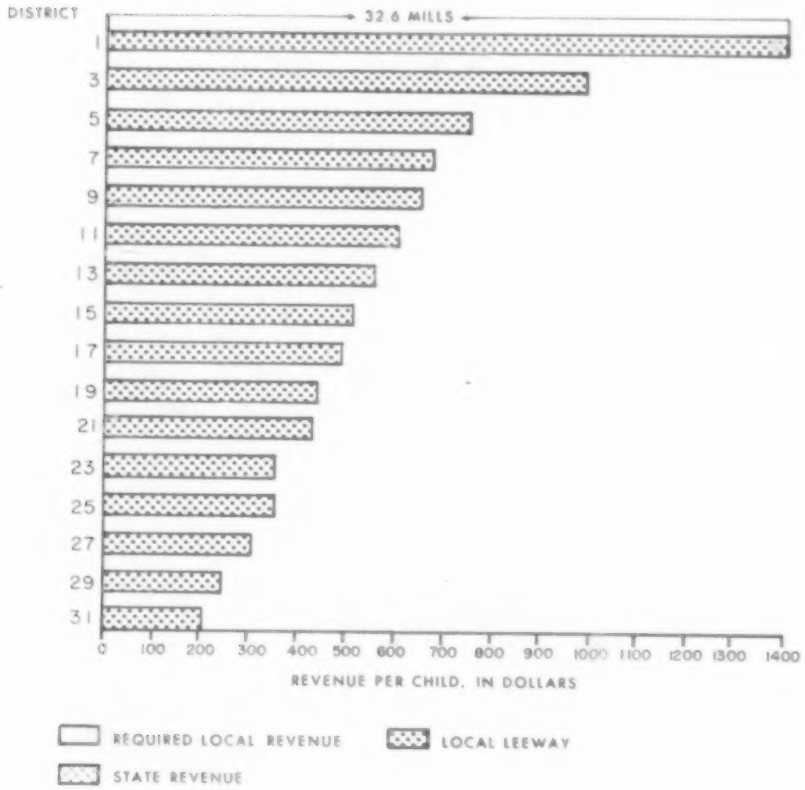


TABLE 10-23

RATING OF MODELS

Models		*Average Deviation From Full Equalization*	*Score On NEFP Scale*	*Tax Progressivity Score*
1. *Flat grant models* with the same total revenue and the same proportion from state and local sources with different methods of apportionment				
MODEL I-A	Flat grant of $500 per pupil in ADM, unweighted pupils, no aid for transportation, local tax rate 12 mills*	15.42	4.3	18.10
MODEL I-B	Same total state funds as Model I-A but state funds are distributed on the basis of weighted pupils, and need for transportation and same local funds as Model I-A.	11.40	5.1	18.10
2. *Equalization models* with the same total state funds and same total local funds as Model I-A				
MODEL II-A	Strayer-Haig equalization formula, unweighted pupils, transportation allotment, 5 mills required local effort, 7 mills local leeway	11.63	5.2	18.10
MODEL II-B	Same as Model I-A except pupils are weighted	6.65	6.3	18.10
MODEL II-C	Same as Model II-B except required local effort is 10 mills and local leeway 2 mills	1.90	7.6	18.10
MODEL II-D	Complete equalization, same as Model II-A except required local effort is 12 mills and there is no local leeway	0.	8.4	18.10

TABLE 10-23—RATING OF MODELS,—(CONTINUED)

Models		Average Deviation From Full Equalization	Score On NEFP Scale	Tax Progressivity Score
3. *Percentage equalizing formula*				
MODEL III	Compared with Model II-B	6.65	6.3	18.10
4. *Flat Grant* models with the same total revenue as in Model I-A but increasing the proportion of revenues from state sources and decreasing local revenue				
MODEL IV-A	Apportionment method the same as Model I-B, but limit local revenue to 7 mills and increase state appropriation the equivalent of 5 mills	6.65	6.4	19.03
MODEL IV-B	Same as IV-A but limit local revenues to 4 mills and increase state appropriation the equivalent of 8 mills	3.80	7.2	19.69
MODEL IV-C	Complete equalization, apportionment method same as IV-A except no local millage and state appropriation increased the equivalent of 15 mills	0.	8.4	20.49
5. *Equalization models* with the same total revenue as Model I-A but increasing the proportion of revenue from state sources and decreasing local revenue				
MODEL V-A	Apportionment according to method of II-B, 7 mill limit on local taxes, 4 mill required effort, 3 mill leeway increase state appropriation the equivalent of 5 mills	2.85	7.1	19.03

TABLE 10-23—RATING OF MODELS—(CONTINUED)

Models		Average Deviation From Full Equalization	Score On NEFP Scale	Tax Progressivity Score
MODEL V-B	Same as V-A except 4 mill limit on local taxes, 2 mill required effort, 2 mill local leeway and increase state funds the equivalent of 8 mills	1.90	7.5	19.69
MODEL V-C	Complete equalization, same as V-A except no local taxes and state appropriation increased the equivalent of 12 mills	0.	8.4	20.49
6. *Flat grant* models with the same total revenue as I-A but increasing the proportion of revenue from local sources and decreasing state revenue				
MODEL VI-A	Apportionment method the same as I-B, 50% of revenue from state resources and 50% local revenue, local levy 16.3 mills	15.48	4.1	17.25
MODEL VI-B	Same as VI-A except state revenue 25%, local revenue 75% and local tax rate 24.452 mills	23.23	2.4	15.62
7. *Equalization models* with the same total revenue as I-A but increasing the revenue from local sources and decreasing state revenue				
MODEL VII-A	50% of revenue from state sources, 50% from local sources, apportionment according to method II-B, except total local millage of 16.3 mills, 11 mills required effort and local leeway of 5.3 mills	5.03	7.2	17.25

TABLE 10-23—RATING OF MODELS,—(CONTINUED)

Models		*Average Deviation From Full Equalization*	*Score On NEFP Scale*	*Tax Progressivity Score*
MODEL VII-B	Same as VII-A except state revenue 25%, local revenue 75%, local millage 24.452, required local effort of 10 mills and local leeway of 14.452 mills	14.29	5.1	15.62
8. *Complete local support* model				
MODEL VIII	Same total revenue as Model I-A, all local revenue, local tax rate of 32.6024 mills	30.98	1.0	14.00

[*] In all of these models, the assumption is made that all districts levy the legal maximum tax rate because that rate represents the local revenue potential.

The Incentive Grant Model

As pointed out above, an incentive grant can be added to the percentage equalizing or state aid ratio model and the Strayer-Haig model. It is difficult to examine the impact of the incentive grant model by all of the same methods used to examine the other models presented above. However, it is possible to compare an incentive grant model with an equalization model with a fixed level foundation program by graphical methods if assumptions are made with respect to variations among districts in local tax effort.

The incentive grant model is compared with Equalization Model II-C below. Table 10-24 shows the revenue per weighted pupil in average daily membership (excluding transportation) from: (a) the required local levy, (b) the state and (c) from local leeway taxes for Model II-C. The data are shown only for one-half of the districts in the prototype state, randomly selected in order of wealth in order to simplify the chart developed from this table. Data for transportation are also excluded in order to simplify the two models, the assumption being made that the allowable costs of transportation would be funded by the state in both models.

TABLE 10-24

REVENUE PER WEIGHTED PUPIL IN ADM FROM REQUIRED LOCAL EFFORT, FROM THE STATE AND FROM LOCAL LEEWAY LEVY UNDER MODEL II-C, TABLE 10-9 (EXCLUDING REVENUE FOR TRANSPORTATION) FOR SAMPLE DISTRICTS FROM THE PROTOTYPE STATE

District	*Revenue Per Weighted Pupil From Required Local Effort*[a]	*Revenue Per Weighted Pupil From The State*[b]	*Revenue Per Pupil From Local Leeway Taxes*[c]	*Total Revenue Per Pupil*[d]
Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*
1	430.	99.	86.	615.
3	304.	225.	61.	590.
5	236.	293.	47.	576.
7	218.	311.	44.	573.
9	210.	319.	42.	571.
11	192.	337.	38.	567.
13	179.	350.	36.	565.
15	169.	360.	34.	563.
17	156.	373.	31.	560.
19	142.	388.	28.	558.
21	140.	390.	28.	558.
23	120.	409.	24.	553.
25	110.	419.	22.	551.
27	104.	425.	21.	550.
29	84.	445.	17.	546.
31	73.	456.	15.	544.

[a] Column 5 of Table 10-9 ÷ Column 3 of Table 10-4.

[b] Column 6 of Table 10-9 – Column 2 of Table 10-9 ÷ Column 3 of Table 10-4.

[c] Column 7 of Table 10-9 ÷ Column 3 of Table 10-4.

[d] The sum of Columns 2 + 3 + 4 of Table 10-24.

Table 10-25 shows the computation of the funds available to the same selected sixteen districts under an incentive grant formula with the following assumptions:

1. The same weighted pupils are used in the incentive grant model as in Model II-C.
2. A mandated minimum levy of 10 mills is required for the incentive grant model and districts have the option of levying up to 17 mills.
3. The same percentage of state funds for the district of average wealth is provided for in the incentive grant formula as in Model II-C for the same mandated local effort.
4. The sixteen districts levy the tax rates indicated.

Table 10-26 shows the revenue per weighted pupil in average daily membership for the sixteen districts from: (1) local taxes and (2) the state for the incentive grant model.

9

TABLE 10-25

THE PERCENTAGE EQUALIZING OF STATE AID RATIO MODEL FOR SELECTED DISTRICTS FROM THE PROTOTYPE STATE WITH THE PERCENT OF STATE AID PROVIDED FOR THE DISTRICT OF AVERAGE WEALTH EQUIVALENT TO THAT PROVIDED IN MODEL II-C (EXCLUDING REVENUE FOR TRANSPORTATION)

District	*Number of Mills of Local Taxes Levied*	*Local Tax Revenue*[a]	*State Aid Ratio*[b]	*State Appropriation*[c]	*Total Revenue*[d]
Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*
1	12	9,256,347.	.2301–1	2,129,885.	11,386,232.
3	17	21,872,591.	.7383–1	16,148,534.	38,021,125.
5	15	2,716,048.	1.2446–1	3,380,393.	6,096,441.
7	14	6,017,066.	1.4226–1	8,583,946.	14,601,012.
9	16	3,628,637.	1.5177–1	5,507,182.	9,135,819.
11	16	1,251,148.	1.7537–1	2,194,138.	3,445,286.
13	13	1,397,720.	1.9594–1	2,738,693.	4,136,413.
15	14	1,708,349.	2.1383–1	3,652,963.	5,361,312.
17	17	25,720,337.	2.3922–1	61,528,190.	87,248,527.
19	12	6,665,308.	2.7191–1	18,123,639.	24,788,947.
21	15	7,434,142.	2.7906–1	20,745,717.	28,179,859.
23	13	1,434,003.	3.3997–1	4,875,180.	6,309,183.
25	17	60,866,171.	3.8001–1	231,297,536.	292,163,707.
27	14	2,807,209.	4.1065–1	11,527,804.	14,335,013.
29	15	2,118,538.	5.3077–1	11,244,564.	13,363,102.
31	12	794,627.	6.2836–1	4,993,118.	5,787,745.

[a] Column 2 of Table 10-26 × Column 4 of Table 10-4.

[b] (Column 6 of Table 10-9 — Column 2 of Table 10-9) ÷ Column 5 of Table 10-9. Use decimals to 4 places.

[c] Column 3 of Table 10-25 × Column 4 of Table 10-25.

[d] The sum of Columns 3 and 5 of Table 10-25.

Figure 10-5 shows the data for Model II-C and Figure 10-19 for the incentive grant model. The following conclusions can be drawn from a comparison of these two charts:

1. The financial equalization of educational opportunity is disequalized by the incentive grant model as compared with Model II-C because under the incentive grant model, the level of the program guaranteed by the state in a district depends upon its local tax effort rather than variations in educational need as compared with other districts.
2. Both local tax revenue and state appropriations are increased under the incentive grant model.

The incentive grant model was developed some years ago primarily to stimulate innovation and the improvement of the quality of education. It had been observed in some states that there was a tendency for the public to become satisfied with a fixed

TABLE 10-26

Revenue Per Weighted Pupil Under the Incentive Grant Model From Local Sources and From the State for Selected Districts From the Prototype State (Excluding Revenue for Transportation)

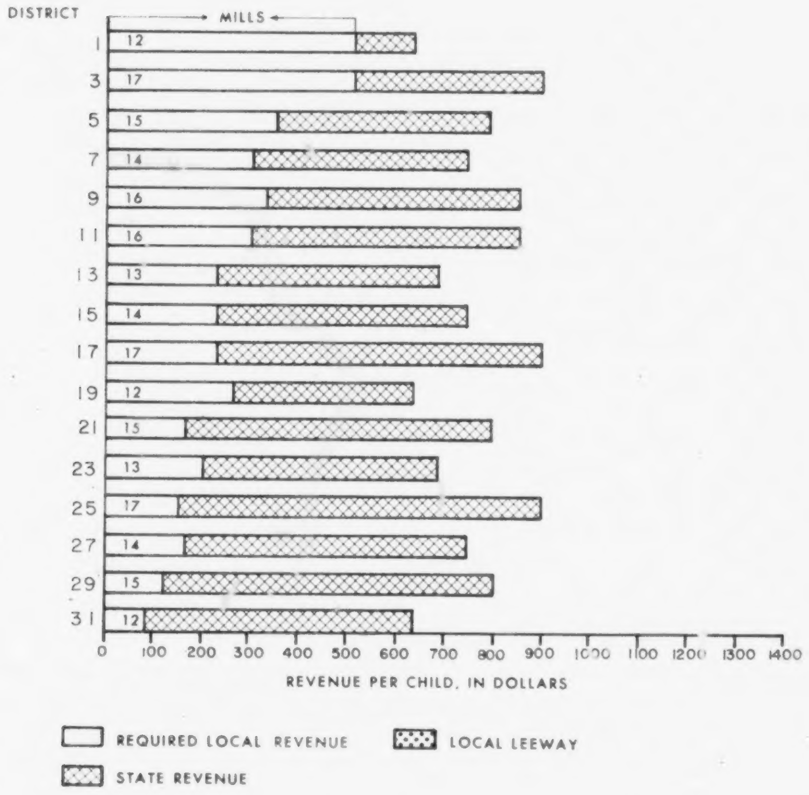
District	*Revenue Per Weighted Pupil From Local Taxes*[a]	*Revenue Per Weighted Pupil From the State*[b]	*Total Revenue Per Weighted Pupil*[c]
Col. 1	*Col. 2*	*Col. 3*	*Col. 4*
1	516.	119.	635.
3	517.	382.	899.
5	354.	440.	794.
7	305.	436.	741.
9	336.	510.	846.
11	307.	539.	846.
13	232.	455.	687.
15	236.	505.	741.
17	265.	634.	899.
19	171.	464.	635.
21	210.	584.	794.
23	156.	531.	687.
25	187.	712.	899.
27	145.	596.	741.
29	126.	668.	794.
31	87.	548.	635.

[a] Column 3 of Table 10-25 ÷ Column 3 of Table 10-4.
[b] Column 5 of Table 10-26 ÷ Column 3 of Table 10-3.
[c] Total of Columns 2 and 3 of Table 10-26.

level foundation program and it was difficult to change the level of the program. It was theorized that if the state rewarded increases in local effort by state grants that this would stimulate an increased level of school financing. This policy, of course, establishes various foundation program levels within a state depending upon the level of local effort. The incentive grant idea was generally supported by most of the experts on school finance including some of the researchers for the National Educational Finance Project. However, experience with this model and evidence presented in Figures 10-5 and 10-19 raise some serious questions concerning the desirability of the incentive grant model. Following are some of the objections to this model:

1. It tends to disequalize educational opportunity within a state.
2. It stimulates an increase in local property taxes for school support despite the fact that too high a proportion of the school budget is already obtained from property taxes in most states.

FIGURE 10-19. INCENTIVE GRANT MODEL REVENUE PER WEIGHTED PUPIL (EXCLUDING TRANSPORTATION)



3. Although under the incentive grant computed by the state aid ratio method, all districts regardless of wealth, could have the same foundation program level for an equivalent level of effort, there is no assurance that the districts which at present have the lowest quality of education will make the extra local effort needed. As a matter of fact, the districts which already have a high level of education of the electorate are the districts that place the highest value on education and those districts are the districts that are most likely to make a high local effort. The schools in such districts usually are not in as great a need of improvement as in the districts with a low educational level of the electorate.
4. If no limit is placed on the local taxes for schools which will be matched on the state aid ratio, necessary non-educational functions of local government may be underfinanced in relation to education. This is especially true if the state does not reward local governments for financing local governmental functions. To base the allocation of state funds on the basis of "the more you spend locally, the more you get from the state" seems irrational because it may cause a misallocation of the priorities needed for various governmental functions.

Although the incentive grant model has some desirable purposes, it certainly has some undesirable side effects. It seems that better methods of stimulating innovation and change in the educational program could be developed than the incentive model. For example, the state could provide in its foundation program allotments to school systems for research and development and program improvement which would constitute a more desirable type of incentive. Although adequate financing is necessary for educational improvement, factors other than money such as state and local leadership, long range planning, evaluation of alternative means for achieving desired educational goals, improved district organization, improved internal organization of districts, and other means can be used to improve the quality of education. It is beyond the scope of this volume to discuss these other means. Suffice it to say that it would seem a better policy for improvement of the educational program to utilize factors aimed directly at improvement of the educational program rather than a factor aimed directly at increasing local property taxes for schools. It is true that local property taxes for schools are negligible in some states. In such states it would seem to be better policy for the state to directly mandate the needed increase in local property taxes for schools than to use the carrot approach.

Negotiated Budgets

It has been suggested that the variation among the districts of a state in educational needs and unit costs are so great that no state formula of apportionment could be developed that would adequately reflect those variations and therefore that each district should negotiate its budget of state funds with a state agency. This is hardly a model. Even if this plan were instituted; the state agency would have to use allocation guidelines similar to a formula in negotiating the budget for a school district or the agency would be subjected to intolerable political pressures. In any event the negotiated budget would give entirely too much power to a state agency. The research conducted by the National Educational Finance Project shows that it is possible to develop reasonably equitable formulas for the allocation of state fund . Therefore, there is no need to risk the many dangers of negotiating budgets.

State Aid for Non-Public Schools

The National Educational Finance Project did no research on finance models providing state aid for non-public schools for the following reasons:

1. The Project staff considered state aid to non-public schools a political problem rather than a financial problem. If all private schools in the United States were abolished and absorbed in the public schools, it is estimated that school costs would be increased nationally only approximately 10 percent. This is a relatively small increase compared with an increase of 152 percent in public school expenditures between 1960 and 1970. It is true the increase would not be uniform throughout the United States. However, the greatest concentrations of pupils in private schools are generally found in the states of greatest wealth. Those states should be able to finance those extra

costs. It is true that districts within a state vary greatly in the percent of pupils enrolled in non-public schools in the states that have a high percent of pupils enrolled in non-public schools. If there is a wholesale closing of non-public schools in those districts (as has been feared by some) those districts would have critical housing problems. In such states, the state legislature should provide special capital outlay assistance to the districts having a critical housing shortage due to the closing of non-public schools. This special capital outlay aid could be used either to construct new facilities or to purchase suitable facilities from non-public school authorities who no longer need the facilities if they desire to sell them. It would also be sound policy to provide special federal aid on a temporary basis for this purpose. It is not being suggested that there should be wholesale closing of non-public schools, but if it does occur in any school district, financial provisions should be made for an orderly transfer of non-public school pupils to public schools without unduly burdening that district. When the students become public school students, the districts having an influx of non-public school pupils will receive additional state funds for operating purposes on a continuing basis.

2. The United States Supreme Court in June, 1971 ruled that it was unconstitutional to provide tax funds for the direct support of parochial schools. Approximately 90 percent of all of the pupils enrolled in non-public schools are enrolled in parochial schools. Any finance model which provided general aid for parochial schools would be unconstitutional. Therefore, it would be futile to develop such a model.

Municipal Overburden

It has been suggested by some that the financial ability of large urban districts as measured by the equalized value of property be reduced appropriately in the state's apportionment formula because of the extra local tax burdens those cities are required to bear. There is no doubt that large core cities have these extra costs as compared with many suburban and rural areas. However, the costs of those cities for public safety, welfare, sewage disposal, control of air and water pollution, transportation and other services are so great that they cannot be substantially met by manipulations of the school apportionment formula. The cities should be provided direct financial aid in accordance with these needs for municipal services and their relative financial ability. Both the federal and state governments should contribute financial aid to the cities for this purpose.

Core cities as a rule have a higher percent of high cost pupils than surrounding suburban districts. It has already been recommended in this chapter, that pupils should be weighted appropriately in order to provide for the extra costs of culturally disadvantaged pupils.

These provisions, if implemented, would solve the problem of municipal overburden without inserting special provisions in the school apportionment formula for that purpose.

Measures of Local Effort

The measures of local effort in proportion to ability in the equalization models examined in this chapter are based upon millage levies on the equalized value of property because 98 percent of all local school tax revenue is derived from property taxes. It is true that some school boards have the authority to levy a limited amount of local property taxes. The local taxpaying ability of school districts in reality is not their theoretical taxpaying ability, but rather a measure of their accessibility to local tax revenue. If a district only has the authority to levy property taxes, then its local taxpaying ability (or effort to support schools) should be measured only in terms of the equalized value of the taxable property in that district. However, if a district has the power to levy local nonproperty taxes, such as payroll taxes, sales taxes, utility taxes, etc., then the yield of such local nonproperty taxes can justly be incorporated in the measure of the taxpaying ability of that district. Since local nonproperty taxes for schools are unimportant in most states, no measures of local taxpaying ability were examined which incorporated ability to pay nonproperty taxes. As pointed out in Chapter 6 of Volume 4 of the National Educational Finance Project entitled *Status and Impact of Educational Finance Programs*, supporting schools by local nonproperty taxes disequalizes school financial support more than local property taxes. The state can levy and collect practically all important types of nonproperty taxes more efficiently than local governments. Since the use of local nonproperty taxes for school support increases inequalities in school support and promotes inefficiency in tax administration, it does not seem wise policy to encourage this practice.

SUMMARY OF CONCLUSIONS DERIVED FROM THE MODELS TESTED

Following are some conclusions that can be derived from the analyses of the alternative finance models presented in this chapter:

1. State funds distributed by any model tested provide for some financial equalization but some finance models provide more equalization than others. Even the flat grant model provides for some equalization despite the fact that under this model each district, regardless of wealth or necessary variations in unit costs, receives the same amount of state money per pupil or other unit. This is due to the fact that the less wealthy districts receive more state aid per pupil than the revenue per pupil they contribute to the state treasury.
2. The flat grant model by which state funds are apportioned on the basis of a flat amount per pupil unit or other unit which does not take into consideration necessary variations in unit costs or variations in wealth per unit of need of local districts provides the least financial equalization for a given amount of state aid of any of the state-local support models tested.
3. The flat grant model under which necessary cost variations per unit of need are provided for but variations in the per pupil wealth of local districts are ignored provides for more equalization than the flat grant model described in 2 above. But it does not equalize financial resources as well as the equalization models providing for cost differentials and variations in wealth.
4. Equalization models under which necessary unit cost differentials are provided for in computing the cost of the educational program equalized and which take into consideration differences in the wealth of local school districts in computing state funds needed by a district are the most

efficient models examined for equalizing financial resources in states which use a state-local revenue model for financing schools.

5. In equalization models the greater the local effort required in proportion to the legal limit of local taxes for schools, the greater the equalization.
6. In equalization models the greater the local tax leeway above the required local tax effort required for the support of the foundation program, the less the equalization.
7. Complete equalization is attained only under full state funding or under an equalization model which requires school districts to contribute the full legal limit of local taxes to the cost of the foundation program.
8. The higher the percent of school revenues provided by the state, the greater the equalization of financial resources under both flat grant and equalization models but there is always more equalization under an equalization model than a flat grant model for any given amount of state funds apportioned.
9. As full state funding is approached (100 percent of school revenue provided by the state) the difference between the equalizing potential of flat grant models and equalization models begins to disappear, assuming that cost differentials are provided for under each model. For example, with 90 percent or more state funding of schools, the differences between flat grant models and equalization models in equalizing financial resources would not be significant but the equalization models would always be slightly superior until full state funding is reached.
10. As the percent of local revenue is increased, the possibility of equalizing financial resources decreases.
11. A complete local support model provides for no equalization whatsoever. In the prototype state under this model, the least wealthy district would have only 1/6 of the resources per pupil available in the most wealthy district.
12. The higher the percent of state funds provided, in relation to local revenue, the greater the progressivity of the tax structure for school support.
13. The higher the percent of federal funds provided in relation to state and local revenues the greater the progres-

sivity of the tax structure for school support. This is due to the fact that federal taxes are on the average more progressive than state taxes and state taxes more progressive than local taxes.

14. Many states can increase the progressivity of state taxes by increasing the proportion of state revenue obtained from relatively progressive taxes.

Which school finance model is the best model? That depends entirely on the values and goals of those making decisions on school fiscal policies. Following are some options:

1. If one believes that educational opportunities should be substantially equalized financially among the districts of a state, but that districts should be left with some local tax leeway for enrichment of the foundation program, an equalization model is the best model. However, the higher the priority one gives to equalization, the more he will prefer the equalization model that provides the most equalization.
2. If one believes that educational opportunities should be completely equalized financially, among the districts of a state, the complete state support model is the preferred model. If the decision of the Supreme Court of California in August, 1971 is upheld by the United States Supreme Court, complete state and federal support of the public schools or complete equalization of local ability by a Strayer-Haig model will be the only legal alternatives. The California Supreme Court ruled that the use of local property taxes to finance schools violated the 14th Amendment to the federal constitution.
3. If one believes that all children regardless of variations in ability, talent, health, physical condition, cultural background, or other conditions which cause variations in educational needs, have a right to the kind of education that meets their individual needs, he will select school finance models which incorporate the programs needed and which provide for necessary cost differentials per unit of need.
4. If one believes that educational opportunity should be substantially equalized among the states he will support a revenue model which provides a substantial percent of

school revenue in general federal aid apportioned in such a manner as to tend to equalize educational opportunities among the states.

5. If one believes that the taxes for the support of the public schools should be relatively progressive rather than regressive, he will prefer revenue models which provide a high percent of school revenue from federal and state sources.
6. If one believes that publicly financed education should tend to remove the barriers between caste and class and provide social mobility, he will oppose any plan of school financing which promotes the segregation of pupils by wealth, race, religion or social class.
7. If one believes that all essential functions of state and local government should be equitably financed in relation to each other, he will oppose any finance model for any function of government, including education, under which either federal or state funds are allocated to local governments on the basis of "the more you spend locally, the more you get from the central government" rather than on the basis of need.
8. If one believes that the educational output per dollar of investment in education should be maximized, he will support finance models that will promote efficient district organization and efficient organizations of school centers within districts.
9. If one believes in a federal system of government, he will support finance models which will not require a decision governing public education to be made at the federal level when it can be made efficiently at the state level, and will not require a decision to be made at the state level when it can be made efficiently at the local level, regardless of the percent of revenue provided by each level of government.
10. If one believes that education is essential to the successful operation of a democratic form of government in a free enterprise society and if he believes that education is essential to the economic growth of the nation and to the fulfillment of the legitimate aspirations of all persons in our society, he will support revenue models sufficiently financed to meet educational needs adequately.

FOOTNOTES

1. It should not be assumed that the National Educational Finance Project is recommending that 1,800 pupils is the most desirable minimum size of school district. Actually, maximum economy of scale cannot be reached until the minimum size of school district is made much larger. The minimum size of 1,800 was selected because it should be reasonably attainable in all states and because inefficiencies of scale increase rapidly as districts fall below 1,800 in size.

2. Adapted from Edgar L. Morphet and David L. Jesser, eds. *Emerging Designs for Education*, Denver, Col.: Designing Education for the Future, 1968. P. 227. (Republished by Citation Press, Scholastic Magazine, New York, N. Y.)

3. The so-called "voucher plan" was not considered because its constitutionality is in doubt at this writing. Furthermore, if the law prohibited the redeeming of the vouchers by parochial schools and also by private schools which enrolled a lower percent of blacks than the percent of blacks enrolled in public schools of the district in which the private school was located, there would probably be few advocates of the voucher plan.

APPENDIX A—SOME CHARACTERISTICS OF DISTRICTS OF THE PROTOTYPE STATE

District Number	*PREDOMINANT TYPE OF DISTRICT*							*RANK PER PUPIL IN WADM*		
	Rural and Small Town	Suburban	*Independent Cities*							
			10,000–25,000	25,000–50,000	50,000–100,000	100,000–200,000	200,000	Property	Income	Sales
1		X						1	1	2
2		X						2	2	1
3						X		3	5	4
4		X						4	3	9
5	X							5	9	5
6				X				6	7	7
7		X						7	12	31
8	X							8	14	22
9	X							9	28	14
10		X						10	4	13
11			X					11	6	18
12			X					12	11	6
13	X							13	18	16
14		X						14	8	15
15	X							15	31	30
16	X							16	10	21
17		X						17	13	17
18	X							18	24	19
19	X							19	20	24
20	X							20	23	8
21	X							21	17	10
22				X				22	15	12
23	X							23	30	32
24	X							24	25	25
25							X	25	16	11
26	X							26	22	20
27	X							27	26	23
28		X						28	19	3
29	X							29	21	26
30	X							30	27	28
31	X							31	32	27
32	X							32	29	29

APPENDIX B

DESCRIPTION OF DISTRICTS IN THE PROTOTYPE STATE

District No. 1

This suburban municipality immediately adjoins the state's largest city. It is traversed by two railroads, one state highway and one interstate highway. The district is surrounded on all sides by other large suburban communities. The population of this suburb ranks it among the largest in the state. The backbone of the economy is a very large heavy manufacturing plant, and there also are several small machine shops in the municipality. Much of the housing in the eastern portion of the district was built during the early 1900's; that in the western portion is of post World War II vintage.

District No. 2

This suburban district adjoins the state's largest city. It is one of the ten largest communities in the state. It is traversed by one railroad, one interstate highway and several state highways. The district is predominantly residential in character, but does have one large manufacturing plant near its southern boundary. One of the state's largest shopping centers is located in this district and a substantial concentration of light industry has developed in the western portion of the district in recent years. Although originally a high income residential suburb, annexation and land development since World War II have produced a much broader tax base and a more heterogeneous population.

District No. 3

This city, the second largest in the state, is located in the south central section. Six U. S. highways, three state highways and two interstate highways enter the city. Transportation facilities also include three railroads, three bus lines, and five airlines. The city has twelve banks and five savings and loans institutions. The area has several large shopping centers and is the retail center for a nine-county area. There are two daily newspapers with a combined circulation of 117,778. Industry is quite diversified, with only two or three large manufacturing plants. However, a large state university, several large insurance companies, and a number of state office buildings are located in the district and provide employment for many of the residents.

District No. 4

This suburban and rural district in the southern portion of the state is one of the most attractive residential areas in the nation. The southern portion of the district consists of a cluster of unincorporated communities adjacent to a large city in an adjoining state. The northern part of the district is still agricultural with an emphasis on dairying, livestock, and nurseries. Rural land values are the second highest in the state. Significant heavy industry is not found in the district, but scientific research and light industry are important to the economy. In addition, governmental installations also provide extensive employment opportunities. On most economic measures related to income and business activity, the district ranks among the top three districts in the state. Transportation services are provided by two interstates, three federal highways, three railroads, and a nearby large commercial airport. Higher education opportunities are provided through a local community college and numerous colleges in the city located in the adjoining state.

District No. 5

This rural district is located in the east central portion of the state, but is relatively inaccessible except from the north and east because of natural geographic conditions. Some portions of the district are isolated with resulting transportation problems, but over 75 percent of the land is arable. Agriculture production and food processing provide the principal employment opportunities. The economy is also enhanced by resort and vacation areas in the western portion of the district. A study of economic measures reveals that the district ranks at about the median on most measures. One federal highway, one railroad, and one airport with charter service provide the available transportation. Higher educational opportunities are limited to one private two-year liberal arts college and a two year community college in an adjoining county.

District No. 6

This city is located in the west central portion of the state on two U. S. highways and two state highways. The city serves as the hub and trading center of a large agricultural area, the nearest large city being located nearly 100 miles away. The area is served by three railroads, five bus lines, and one airline. The largest single employer is a branch plant of a major tire company, but there are several other good-sized firms in diverse fields. The city has three banks and one savings and loan institution. The estimated 7,900 wage earners receive an average weekly pay of $147.00. Newspapers with a combined circulation of 36,403 are published in the city.

District No. 7

A part of the standard metropolitan area of the largest city in the state, this suburban and rural district has a land contour which varies from gently to strongly rolling. Land value is high, and dairying and livestock are the most profitable agricultural activities. The forest area is relatively large, but not commercially productive. Manufacturing industry is relatively small, but two research laboratories have been added recently and an electrical appliance firm is making plans to open production facilities employing over 4,000 employees. A study of economic measures indicates that the area ranks in the upper third in terms of income, but near the median on other measures. Two interstates, three federal highways, one railroad, and a major airport provide transportation services. A small community college provides the only higher educational opportunities available in the district, but a variety of higher educational institutions are located in the nearby city.

District No. 8

This small town is the service center for a large rural area. It is located approximately 50 miles from a medium-sized metropolitan center. The town is served by two railroads and one airline. The area's largest employer is a manufacturer of heavy trucks and construction equipment. More important in the economy, however, are the dairy farms and the large vegetable farms surrounding the area. The district receives daily newspapers from outside the area and has its own weekly newspapers with a circulation of 2,756.

District No. 9

This sparsely populated rural district located in the southeastern portion of the state is only accessible from the north and west because of natural geographic conditions. Food production and agriculturally related activities constitute the principal sources of income and employment, with some additional activity related to resort and recreational attractions. On economic measures related to income the district ranks among the lowest three; however, on measures relating to business activity, the district ranks near the median. Three federal highways and one railroad provide transportation services. No higher education institutions are located in the district.

District No. 10

This largely suburban district is a part of the standard metropolitan area of the state's largest city. The outlying portions contain prosperous farms in which land values are the highest in the state. In the hilly central portion of the district large estates preserve some of the traditional customs of affluent country life. The district ranks either second or third on most of the major economic measures. One single heavy industrial plant employs over 20 percent of the total work force of the district, but over 200 other firms are also located in the district. Available transportation includes four interstates, three federal highways, four railroads, and a major airport. Two small liberal arts colleges and a state college are located in the district.

District No. 11

This suburban district is part of the standard metropolitan area of the state's largest city. It is located 10 miles southwest of the city. The area is served by one railroad and one major highway. Ten years ago, dairying and truck farms were the most prominent elements in the economy. The area has suburbanized rapidly, however, and now it is primarily a "bedroom" suburb. Shopping centers, small retail stores and personal services predominate in the local economy. The area is served by a local weekly newspaper as well as two metropolitan daily papers.

District No. 12

This city is located near the center of the state. General farming and dairying are important contributors to the economy of the area. In addition, several important manufacturing firms are located in or near the city which is also well known for its medical clinic. There are three railroads, two bus lines and one local airline serving the city. The city has three major financial institutions—two banks and one savings and loan association. The local newspaper has a circulation of 13,131. The weekly salaries of local employees range from $100 to $170; the mean is $130.

District No. 13

A rural district located in east central portion of the state, District No. 13 is a highly developed agricultural area with the largest farms in the state. Disposable agricultural products are about equally divided between crops and livestock. The chief industry is food processing. The economic base is further supplemented by a cluster of attractive summer resorts in the western portion of the district. However, on most economic measures the district ranks in the lower third. Two federal highways and one railroad provide transportation services. The only higher education institution in the district is a small liberal arts college.

District No. 14

This suburban and rural district is located in the south central portion of the state. The northern portion of the district is still mainly agricultural, but the southern portion which adjoins a large city in an adjacent state is densely populated and largely residential. A single cash crop dominates the agricultural economy and the district ranks first in mining and quarrying. On virtually all economic measures, except those related to heavy industry, the district ranks either second, third, or fourth in the state. Transportation services are provided by three interstates, three federal highways, two railroads, and a nearby large commercial airport. Higher educational opportunities are available through the state university and a state college located in the district.

District No. 15

This sparsely populated district located in the eastern part of the state has an economy largely based upon agriculture, food processing, and summer tourist activities. On virtually all economic measures the district ranks in the lower third. One federal highway and one railroad provide the principal transportation services. The only higher educational opportunities available in the district are provided through a small two-year community college.

District No. 16

This rural district is second in percentage of area in farm land and fourth in cash income from this source. In this rich agricultural area livestock and dairying account for over 70 percent of the farm products sold. Several small and stable manufacturing establishments also enhance the economic base of the district. On most economic measures the district ranks near the top third. Two federal highways and three railroads provide direct transportation services. One relatively small private college is located in the district.

District No. 17

District No. 17, a suburban-rural district with a city of 28,000, is a part of the standard metropolitan area of the state's largest city. With a rank of fourth in the number employed in manufacturing, the district has a consistent rank in the top ten districts in the state by most economic measures. Industrial plants and a large airport are located in the northern portion of the district which adjoins the state's largest city; farming is largely centered in the southern portion with some fishing and resort activity in the eastern portion of the district. Available transportation includes two interstate highways, two federal highways, two railroads, and an international airport served by ten major airlines. Two medium-sized colleges have campuses in the district.

District No. 18

This district located in the far western portion of the state has the largest land area of any in the state. Slightly less than one fourth of the total area is mountainous; the remainder is fertile farmland. Farm productivity is high; consistently, the district ranks either first or second in the value of farm products sold. Manufacturing is diversified, and the general economy is strong. The district ranks in the upper half on all economic measures and in the upper third on most. One interstate, three federal highways, three railroads, and a small municipal airport provide transportation services. Three private liberal arts colleges and one community college provide higher educational opportunities.

District No. 19

This largely rural district is located in the northeastern portion of the state; over four-fifths of the land area lies on a plateau which is partly rolling and partly hilly. The remainder of the land area lies on a flat flood plain. The rich soil supports diversified agriculture with dairy and livestock products having the highest commercial value. Some manufacturing firms are located in the district, but a large number of residents commute to jobs in the nearby large city. Two large government installations located in the district are important elements in the total economy. On most economic measures the district ranks near the upper third. Available transportation includes one interstate, two federal highways, two railroads, and two small local airports. Higher education opportunities are available through a local community college with an enrollment of approximately 1500 students.

District No. 20

Located in the southern portion of the state, this rural district with its flat, fertile, and productive land leads the state in the value of farm products sold. However, industry offers the greatest number of employment opportunities with firms for food processing, clothing manufacture, and transportation equipment. The largest city in the district is the most important commercial center in that portion of the state. The district ranks between the median and the top third on virtually all economic measures. Two federal highways, one railroad, and a small airport with scheduled service provide transportation services to the district. Higher educational opportunities are provided through a state college with an extensive program.

District No. 21

Crossed by two of the most picturesque mountain valleys in the nation, this rural district in the north central part of the state also contains the state's sixth largest city. Over two-thirds of the land area is devoted to productive agriculture; emphasis is on fruit production, livestock, and dairying. The economy is further bolstered by several heavy industries which make the district one of the leading industrial centers in the state. In addition, the largest city in the district also serves as a wholesale distribution center for portions of this state and two others. On virtually all economic measures the district ranks in the upper third. Transportation is available through two interstates, two federal highways, four railroads, and a local airport with scheduled commercial flights. Higher education opportunities are available through a junior college which offers both terminal and transfer programs.

District No. 22

This district is located in the northwestern area of the state in a wooded mountainous area. It ranks third among the districts in mining and quarrying, and fifth in terms of the number employed in manufacturing. Agricultural products include grains, livestock, and fruit. Available transportation includes two federal highways, three railroads, and commuter air service. The district also contains the state's seventh largest city which is the center of several important manufacturing establishments. Tourism is enhanced by the presence of scenic and recreational attractions. A state college is also located in the district.

District No. 23

This somewhat isolated district is surrounded on three sides by water. The economy is essentially agricultural with one cash crop accounting for 90 percent of the cash farm income of the county. The district ranks in the bottom half on all economic measures and is near the bottom on many. No interstates, federal highways, railroads, or airports are located in the district. Tourism is promoted by the available recreational opportunities and a number of points of historical interest.

District No. 24

Located in the southern portion of the state, this district is divided into three distinct topographical areas; uplands which support a flourishing truck crop industry; poorly drained lowlands where timber resources predominate; and tidal marshes of little value except for trapping, hunting, and fishing. The basic economy of the district is fundamentally food producing and processing. On most economic measures the district ranks in the bottom third. A single federal highway and one railroad provide transportation services to the district. No higher education institutions are located in the district.

District No. 25

Located in the center of the state, this urban district is among the ten largest cities in the United States. As the center of trade and industry for the state, the district has a consistent first ranking by all economic measures except those associated with income. The city has maintained its rank as the largest school district in the state, but its relative percentage of the state's total population declined from 50 percent in 1920 to 30 percent in 1960. Available transportation includes two interstates, three federal highways, four railroads, and an adjoining major airport served by ten major airlines. Institutions of higher learning include eleven private institutions of varying size and two state supported colleges.

District No. 26

Located in a relatively rural setting in the northeastern portion of the state District No. 26 has a diversified economy based on agricultural products, light and heavy industry, and transportation services. On most economic measures the district ranks near the median. Potential economic development is enhanced by the location of a large hydroelectric installation in the district. One interstate, four federal highways, and two railroads serve the district. A small community college is located in the district; but higher education opportunities and cultural, as well as economic, advantages are enhanced by the nearby medium-sized city in an adjoining state.

District No. 27

This district is located in the southern portion of the state in a rural area with a gently rolling countryside. The district is one of five rural areas in the state which derives its main cash farm income from a single crop. Approximately 25 percent of the total work force is employed in wholesale and retail trade. Numerous patches of forests provide sources for valuable timber and related products. A single federal highway and one railroad provide transportation services to the district. On most economic measures the district ranks in the lower third. Higher education opportunities are limited to those available through a two-year community college with approximately 1,000 students.

District No. 28

This suburban "bedroom" community is located approximately 15 miles from the state's largest city. It covers a large geographic area and, while growing rapidly, is still relatively sparsely populated. Two major highways serve the district, providing easy access to the city. Although there is some light industry located in the district, truck farming still predominates. The district, however, is undergoing a rapid transition from a predominantly rural to a predominantly suburban character.

District No. 29

This rural district lies in a somewhat isolated area in the southern portion of the state. Manufacturing installations are very limited as evidenced by recent reports which indicate that no firm employs more than 50 workers. On virtually all economic measures the district ranks in the lower third. No interstates, federal highways, or railroads serve the district, and air service is limited to a small airport with no commercial service. Higher educational opportunities in the district are only available through a small liberal arts college.

District No. 30

This rural district is located in the rich farming section of the eastern portion of the state. In addition to the diversified agricultural economy several small industries are involved in the production of farm-related products. On most economic measures, except the value of farm products sold, the district ranks in the bottom third of the state. Highways are limited to state roads, and one railroad provides service to the district. No airport is located in the district.

District No. 31

Located in an isolated portion of the northwestern corner of the state, this district contains some of the highest elevations and most rugged areas of the state. The terrain provides rich opportunities for both summer and winter sports. Agricultural production is very limited, and the number of industrial workers is small. The district leads the state in the production of timber and forest products. Coal is still mined in the district, but greatly reduced in quantity from previous years. The district ranks at or near the bottom on most economic measures. Available transportation includes three federal highways, two railroads, and charter service through the local airport. A community college is under construction, and a state college is located in an adjoining county.

District No. 32

Located in the southwestern portion of the state, this rural district is relatively isolated from the rest of the state by natural geographic conditions. Food production and food processing are the principal industries with major emphasis on truck farming and poultry production. On virtually all economic indices the district ranks at or near the bottom for the state. One federal highway, one railroad, and two small airports provide transportation services. A branch campus of the state university provides a limited range of undergraduate higher education opportunities.

APPENDIX B.—STATEMENTS

STATEMENT OF DAVID COHEN AND WALTER McCANN, HARVARD GRADUATE SCHOOL OF EDUCATION

Our testimony is the result of a year-long study of the likely effects of revenue sharing and block grants on education. Since the study is directly relevant to the work of the Committee, we have attached the summary and recommendations section. We have also submitted a copy of the full report for your consideration and, if desirable, for possible inclusion in your hearing record.

Our purpose here today is to help clarify some fundamental issues which emerged during the study. Thus, rather than commenting on specific provisions of the various bills under consideration, we want to highlight these general concerns. The degree to which these concerns are relevant will vary from one legislative proposal to another.

Our work examined revenue sharing from the perspective of government decentralization, of which it is one major example. The report focused on four crucial areas: intrastate distribution of education funds; the balance of governmental power in education; church-state relations; civil rights enforcement activities.

Our study concludes that there are four major problems associated with either revenue sharing or block grants to education (special revenue sharing). They are as follows:

Noncategorical aid with no strings attached would exacerbate existing fiscal inequalities in the states. Property-poor school districts often tax themselves more heavily than richer ones yet raise less money. State aid does not fully redress the resultant inequalities which are based on local wealth. Simply turning federal funds over to the states would not reverse this pattern (absent a pass-through which applied to poor school districts).

Growing federal expenditures have not resulted in growing federal control of local schools; thus arguments for decentralization based on the purported need to restore power to states and localities are not grounded in reality. Focusing on Title I of ESEA, the report found: "The federal executive is far too weak to effectively impose its priorities on states or localities, and the states are too weak to have much impact on the local management of education."

Legislative action on revenue sharing could reopen the church-state controversy characterizing the Congressional debates or education prior to the 1965 ESEA. Church school educators will likely view noncategorical, general aid to education as a retreat from the church-state compromise reached in the 1965 ESEA, as an unjust discrimination against private school children, and a threat to private education at time of growing financial crisis.

Noncategorical aid could create enormous obstacles to the enforcement of Title VI of the Civil Rights Act. How would federal funds be identified (and withheld if necessary) at the local level if they were commingled with state funds at the state level? Could the federal enforcement agency require separate accounting? Which federal department would have the responsibility for the enforcement of Title VI?

It should be noted that the report did not address all of the possible reasons for general aid to education. We did not assess, for example, the magnitude and urgency of the fiscal problems of the states and localities. Nor did we analyze the economic and social implications of a shift of a substantial portion of educational financing from one tax source to another, from local property tax to a federally levied tax. Our concern centered on issues that have often been neglected in the emphasis on the financial pressures that have led to proposals for revenue sharing. Our conclusion is that unless these issues are addressed carefully, whatever good is accomplished by relieving local financial pressures may be outweighed by the unfortunate side effects of revenue sharing legislation.

This concern is highlighted by the recent California decision of *Serrano* v. *Priest*. This California Supreme Court decision, and now similar decisions in four other states, have called into question the state/local system of educational finance found throughout the country. None of these decisions has reached the U.S. Supreme Court, although an appeal has been filed in one (Texas). They raise the serious question, however, of whether the federal government should make any major move toward special revenue sharing for education while this constitutional question remains unsettled. If *Serrano* is overruled by the Supreme Court, for example, should federal legislation address itself to the gross inequities of the current system? If it is upheld, what will be the appropriate standard for judging state and local educational finance systems? Should Congress pass legislation which would ease the burden on states in the transition from the current system to a constitutionally acceptable one? These are only samples of the serious questions now unanswered.

Thus, the result of the concerns raised by our study, as well as *Serrano* and companion cases, is to cause grave doubt as to the wisdom of general aid at the present time. Should Congress act in spite of these problems, we urge that it take steps to forestall the difficulties cited above and to deal, in particular, with the problem of intrastate inequalities in education which *Serrano* has highlighted.

The summary chapter of our report follows.

THE EFFECTS OF REVENUE SHARING AND BLOCK GRANTS ON EDUCATION[1]

By David K. Cohen, Walter J. McCann, Jerome T. Murphy, and Tyll R. van Geel, Harvard Graduate School of Education, October 31, 1970.

CHAPTER VI—SUMMARY AND CONCLUSIONS

This report has investigated the impact of block grants and revenue sharing in public education. It was undertaken on the assumption that the problems of decentralization are not uniform across the entire federal establishment, but vary from one functional area to another. Our work focused on three issues. One was whether decentralization was an appropriate response to the political imbalance in the federal system of governing education. A second involved the consequences of revenue sharing and block grants for intrastate inequalities in the burden of financing public education. A third centered on the likely impact of noncategorical aid on the politics of race and religion.

On the question of decentralization there can be no disputing the serious imbalances in the federal system with respect to school government. Yet, our analysis suggests that decentralization of federal power through non-categorical aid would, by itself, be an incorrect response. The problem is not growing federal dominance and consequent weakness at the state and local level, but inadequate governmental capacity at the state and federal level. The federal executive is far too weak to effectively impose its priorities on states or localities, and the states are too weak to have much impact on the local management of education. This being the case, it makes no sense to view the problems of state weakness as the consequence of federal strength. The incapacities of state education departments arise from an historic pattern of local power in education, not from federal encroachment.

The problem, of course, is that increasingly local school districts' problems cannot all be solved solely at the local level. Fiscal inequity among districts, for example, can only be relieved at the state level; urban school problems associated with internal migration are national in scope, and require response from the federal government. State and federal governments are largely unprepared to cope with such responsibilities. The remedy does not lie in reducing the federal role, nor is it to be found in non-categorical aid programs which in all likelihood would not strengthen state government.

On the matter of inequities in the burden of school finance, our analysis also suggests reason for caution. The present system of school finance—which rests on local property taxes—creates grave inequalities among communities in their ability to support public education. Communities with weak property tax bases, or with unusual competition for tax revenues, are at a serious disadvantage in efforts to provide quality school programs. State aid programs somewhat reduce these differences, but by no means eliminate them. The result is that community wealth is at least as important a determinant of local school revenues as fiscal effort. Taxpayers in poor districts often are forced to sacrifice much more, to purchase education which is clearly inferior to what is available at a lesser sacrifice in wealthier districts.

Non-categorical federal aid programs could easily exacerbate this situation. Left to their own devices, it seems not unlikely that states would choose to distribute relatively unrestricted federal aid in much the same way as they have distributed their own monies in the past. Flat grants would be the most likely alternative though the use of equalization grants or need criteria also seem possible. Our investigations in Massachusetts suggest that in their standard form none of these approaches would be of much help in redressing within state inequities in the burden of school support. Alternative approaches to the distribution of federal monies within states are available, however, and there is no reason why, with a relatively modest amount of further work, several acceptable alternative schemes could not be produced. In our view, it would be a serious mistake to allow non-categorical aid to flow to education unless such restrictions were attached.

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[1] A project conducted under subcontract with New York University, under prime contract HEW OS 69 94. Not for reproduction or publication without the express written permission of the authors.

The likely impact of non-categorical aid on the balance of power within the federal system, and on local school finance incline us toward a cautious position. The likely effort of such aid on church-state relations and the enforcement of federal nondiscrimination requirements reinforce this view. On the church-state matter, it seems fair to suppose that Catholic interests would regard non-categorical aid with suspicion. Such aid, after all, would further weaken their position vis-a-vis the public schools, and it might well result in their being disqualified as federal aid recipients in many states. Either one would be a step back from the arrangements sanctioned in the 1965 ESEA. This means that Catholic organizations would probably oppose either revenue sharing or block grants, at least at the present.

The problem of applying and enforcing the federal nondiscrimination requirement (Title VI of the 1964 Civil Rights Act), raises the possibility that civil rights groups and their Congressional supporters would also oppose non-categorical aid to education. For one thing, there are some questions about the applicability of Title VI to revenue sharing. But even though we think these are surmountable, there would be enormous obstacles to enforcing Title VI in the context of either revenue sharing or block grants. One involves the commingling of funds and the consequent difficulties in removing federal monies from discriminatory activities. Another involves the seeming impossibility of delegating enforcement responsibility to the states, and a third turns around the problem of deciding whether—when general aid to a general government is involved—discrimination in one part automatically taints all other parts. While in some respects these problems could be more easily managed with block grants than with revenue sharing, they would be enormously difficult in either case. Given this fact, and current controversy over the effectiveness of Title VI enforcement, revenue sharing or block grant legislation could meet with a good deal of Congressional opposition.

Thus, it seems that efforts to establish new patterns in federal education aid would heighten religious and racial conflict. There is no way of knowing just how much this would reduce the legislative chances for revenue sharing or education block grants, but that is really not our concern.

It does however, add to the list of liabilitiese for non-categorical aid. Taken with the fiscal and political problems mentioned just above, this inclines us to regard non-categorical aid in education as an unwise step at this time.

This conclusion does not mean that revenue sharing and block grants are devoid of merit. On the contrary, there are important fiscal arguments for each, none of which has been in question here. Our point is only that in education, at least, the likely disadvantages of these proposals substantially outweigh their merits. This is not because we think the proposals would meet with Congressional opposition, but because we think they rest on a fundamental misdiagnosis of the present problems in the federal system of school government. Block grants and revenue sharing rest on the premise that decreasing federal power by way of fiscal decentralization would strengthen the state and local capacity to manage education. Our investigations suggests, however, that the most pressing school problems—equity in school finance, and racial and economic inequality—require strengthened government at the state and federal level.

Fundamentally, then, our difficulty is that revenue sharing and education block grants are remedies for a problem we do not have. The government of the nation's schools is not marked by federal and state dominance, but rather by their incapacity to effectively respond to problems which elude the control of local school districts. Grant consolidation, and program streamlining can reduce the bureaucratic obstacles to state and local initiative—these are important steps, and long overdue. But solutions to existing school problems, and the resolution of imbalances in the federal system of school government will come only if state and federal school agencies are organized to meet their growing responsibilities. Fiscal decentralization would be a step in the wrong direction.

THE EFFECTS OF REVENUE SHARING AND BLOCK GRANTS ON EDUCATION

This report examines the likely impact of government decentralization on education. It focuses on four crucial areas—intrastate distribution of education funds, the balance of governmental power in education, church-state relations, and civil rights enforcement activities. The study supports efforts to consolidate existing education programs and to reduce unnecessary red tape, but concludes that revenue sharing or block grants for education would be "an unwise step at this time".

The report's main conclusions are as follows:

Noncategorial aid with no strings attached would exacerbate existing fiscal inequalities in the states. Property-poor school districts often tax themselves more heavily than richer ones yet raise less money. State aid does not redress the resultant inequalities which are based on local wealth. Simply turning federal funds over to the states would not reverse this pattern (absent a pass-through which applied to school districts).

Growing federal expenditures have not resulted in growing federal control of local schools; thus arguments for decentralization based on the purported need to restore power to states and localities are not grounded in reality. Focusing on Title I of ESEA, the report found: "The federal executive is far too weak to effectively impose its priorities on states or localities, and the states are too weak to have much impact on the local management of education."

Legislative action on revenue sharing will likely reopen the church-state controversy characterizing the Congressional debates on education prior to the 1965 ESEA. Education is expected to be "the major beneficiary" of the President's revenue sharing proposal, but no provision is made for private school children. Church school educators will likely view further action as a retreat from the church-state compromise reached in the 1965 ESEA, as an unjust discrimination against private school children, and a threat to private education at a time of growing financial crisis.

Noncategorical aid could create enormous obstacles to the enforcement of Title VI of the Civil Rights Act. How would federal funds be identified (and withheld if necessary) at the local level if they were commingled with state funds at the state level? Could the federal enforcement agency require separate accounting? Would this be compatible with the "no federal strings" approach of revenue sharing? Which federal department would have the responsibility for the enforcement of Title VI?

This year-long study was conducted for New York University, as part of a larger NYU contract with the Department of Health, Education and Welfare. It was under the direction of David K. Cohen, Director, Harvard Center for Educational Policy Research, and Walter McCann, Director of the Administrative Career Program. Both are Associate Professors at the Harvard Graduate School of Education.

DEPARTMENT OF EDUCATION,
New Brunswick, Canada, May 26, 1972.

MR. ROMAN C. PUCINSKI,
Chairman, General Subcommittee on Education, House of Representatives, Committee on Education and Labor, Washington, D.C.

DEAR MR. PUCINSKI: The Department of Education wishes to acknowledge your letter of April 27th, 1972 concerning a request for a statement describing New Brunswick's experiences with an elementary and secondary school system supported on the provincial level.

Enclosed is an initial statement on Financing of Education In New Brunswick made at a recent conference. It is hoped that this may be of some use to you.

Yours truly,

J. LORNE MCGUIGAN,
Minister of Education.

Enclosure

TAXING AND FINANCING EDUCATION IN NEW BRUNSWICK (AN INITIAL STATEMENT)

PROFILE

New Brunswick is a roughly rectangular area of approximately 28,000 square miles bounded on three sides by water. The Province of Quebec and the State of Maine lie to the Northwest and West. At the southeast corner, the 13 mile Isthmus of Chignecto forms the boundary with the Province of Nova Scotia.

The 1971 census figures reveal a population of 634,557 of the Canadian total of 21,568,311. Population by mother tongue shows 64.7% English, 34% French and 1.3% other. The distribution by age groups June 1, 1971 shows that employed persons have a greater percentage of people to support than most Canadian provinces.

GOVERNMENT

The Federal Government, as provided in the British North America Act of 1867, consists of the Queen, the Senate and the House of Commons, which together, are known as the Parliament of Canada. The Party with the largest number of seats in the House of Commons forms the Government with a Prime Minister and his Cabinet.

The provinces are semi-autonomous regions (each with its own legislature) within the federation. The provinces are assigned jurisdiction over education, municipal institutions, property and civil rights, natural resources and other matters of purely provincial or local concern. The Federal Parliament has jurisdiction over all matters not assigned exclusively to the provincial legislatures, including justice, the public debt and property, the regulation of trade and commerce, currency and coinage, banks and banking, military defence, international affairs, the postal service and navigation.

The executive power in the Province of New Brunswick is vested in the Lieutenant-Governor acting on the advice of the Executive Council. The Executive Council is responsible to the Legislative Assembly. The Lieutenant-Governor, who is the representative of the Queen, is appointed by the Governor-General of Canada in Council. Members of the Executive Council are appointed from members of the Legislative Assembly by the Lieutenant-Governor on the nomination of the Premier.

EDUCATIONAL FINANCING PRIOR TO 1967

Little progress was made in effecting school consolidation until the 1940's when special grants and guarantees of financing were provided to encourage consolidation. In 1943 a County School Finance Act was legislated and superimposed on those school districts of the province opting for such a system. Only one county and a few urban boards rejected the concept.

By means of this system, finance boards annually prepared their operating budgets based upon the submissions of the constituent school districts, then the county council levied a tax on the whole county to collect a large portion of the required funds. The balance of the requirement was contributed by the provincial government or by means of a supplementary budget passed by the local ratepayers of the individual school districts. Using these methods, parishes and districts with higher than average assessments contributed to the cost of schools in those areas with a low tax base and the provincial government assisted in the equalization process. Over a period of years, a multitude of grants tended to negate the equalization aspects of the County Finance System.

Cities and towns, if outside the finance unit, requisitioned funds from their respective city or town councils.

School districts under the finance board had to raise the capital expenditures by having costs authorized by meetings of district ratepayers and by having the approval of the Lieutenant-Governor in Council for borrowing funds. Cities and towns outside the finance board had to raise capital expenditures and have the approval of the Lieutenant-Governor in Council for borrowing funds. These capital expenditures were financed mainly by bond issues.

Incentive grants by the provincial government either on an operational or capital basis, under the former Schools Act, had the effect of influencing the direction of education and encouraging district ratepayers to vote either matching or increasing funds. Thus, there was a degree of tension and accountability at the local level.

Despite these special grants and guarantees of financing the permissiveness of legislation resulted in a haphazard pattern of consolidation across the province with numberous examples of: lack of consolidation, over-consolidation, wasteful duplication and consequent under-utilization of buildings, equipment and staff in many rural and regional high schools.

ROYAL COMMISSION 1953

Although a royal Commission on School Financing was set up in 1953 to inquire into all matters concerning the disposition of government grants and the relative tax paying ability of the province, its recommendations were not adopted. The salient points of recommendation were concerned about greater equalization on the basis of over-all cost on a "per pupil basis", weighed if necessary, for especially large or small classes and differentiated for elementary and secondary pupils as well as provision for provincial assumption of a percentage cost of such items as approved transportation, high school tuition and approved buildings.

ANOTHER ROYAL COMMISSION 1962

In the intervening years from 1955 to 1962 local tax burdens so increased that the government of the day appointed the Byrne Royal Commission to examine and recommend solutions to the many problems of provincial and municipal finance and taxation.

The Byrne Report subsequently recognized that New Brunswick municipal institutions were in serious difficulties with inequities in service, standards, and opportunities.

There was a jungle of assessment and tax laws; in certain areas of the province there was crippling debt, near bankruptcy and demonstrable fiscal incapacity. A patchwork of laws provided for provincial assistance and cost sharing on various programmes. There were 7 cities, 21 towns, 15 units of county government, 75 local improvement districts, 15 local administrative commissions, 1 village, 1 township and 422 school districts.

Property tax burdens varied widely from community to community. Ethnic distribution, as well as property values, determined, to a large extent, a child's educational opportunity. Provisional grants supplemented local school resources but were not equalized; for example, cities received $24 per capita and rural areas averaged $6 per capita.

AFTER JULY, 1967

The implementation of the main recommendations of the Byrne Report led the provincial government to assume the responsibility for the financing and provision of Education, Health, Welfare, Justice and Municipal Services as part of the total revision of provincial-local relationships in finance and functional assignments.

The province reorganized local government including school districts (422 to 33) and restructured the local tax base by eliminating a number of nuisance taxes and by enacting a uniform province-wide real estate tax at an effective rate of 1½% of market value as determined by provincial rather than local assessors. The change involved taking over the billing and collections of all property taxes including those of municipalities.

The object of this revision was to ensure that the responsibility for each kind of service was placed on the level of government best qualified to perform it and that each level of government had the financial resources required to carry out its reponsibilities. General service programmes of province-wide significance were to be performed by government agencies or commission (which were not subsequently set up) and present decentralized administrative offices were to be continued.

SCHOOL DISTRICT ORGANIZATION AND FINANCING

After July 1, 1967 the 422 school districts were reduced to 33 with the provincial government assuming the total costs of capital and operational expenditures for the basic educational programmes.

The role of the provincial Department of Education continued to be concerned with educational standards (programmes), readiness of districts to implement new provincial programmes, texts, curriculum and teacher education— to which was added salary schedules for all teaching and non-teaching personnel.

District school boards whose members were two-thirds elected and one-third appointed, administered and implemented the basic programmes established by the Department of Education. They also had the responsibility for hiring, promoting and removing teaching and non-teaching personnel and choosing the level of qualification and types of skills they want represented within budget limits, responsibility for the conveyance of pupils, boarding of pupils, accommodation of pupils and preparation of the annual budget within the framework of the Financial Administration Act and the Department of Education Manual on School Board Budgets.

PROVINCIAL CONTROL OF FINANCING

The Department of Education exercises overall control of local budgets by the simple technique of controlling personnel and formula budgeting in terms of guidelines as specified in the Department of Education's Manual of Financial Administration.

Based upon the provincial revenues available for school expenditure, the Department now uses a general maximum pupil-teacher ratio as its control figure based upon a number of factors including size of school districts, numbers and kinds of schools, programmes, rural-urban distribution, etc.

School districts have fairly wide latitude for decisions within the approved total number of teachers. They can, for example, determine the appropirate qualification, subject specialties and experience required within the overall number of teachers approved for the school district on the basis of a provincial salary schedule as represented by a Collective Agreement between Treasury Board and the New Brunswick Teachers' Federation.

Importantly, the control of positions does not extend to control of dollars to date. School districts are thus free to recruit the best qualified teachers they can and the province stands ready to pay them in accordance with the amount specified in the salary schedule.

Because school districts have teaching staffs with varying degrees of educational attainment and experience, per pupil expenditures vary from district to district.

Thus, provincial assumption of cost has not meant equal fiscal resources behind each pupil regardless of where he resides. By encouraging each district to hire the best qualified teachers, centralized financing should help to upgrade the calibre of teaching and perhaps achieve more equal provisions of educational service throughout the province.

School district allotment for non-teaching personnel costs are uniform where the amount per pupil, teacher or other measure of need reflects district activity and conforms to departmental standards.

Transportation costs will vary where such factors as rate of school consolidation, numbers of pupils, distance, maintenance costs and policy for replacement of buses have an effect.

SUPPLEMENTARY PROGRAMMES

While the province will finance the full cost of the standard educational programme, the New Brunswick Schools Act makes provision for school districts or portions of districts to carry on supplementary programmes. The district makes a proposal for a supplementary programme to the Minister who publishes the relevant facts (such as the real estate tax rate increase required within the district to finance the programme) in a newspaper having general circulation in the district. If less than 5% of the eligible voters of the school district protest in writing to the Minister, he advises the board to implement the programme and the Minister of Municipal Affairs to impose the higher tax rate on real estate in the district.

If more than 5% protest, the Minister conducts a plebiscite at the time and in the manner set out in the Schools Act. The programme is voted in or out by the majority of those who cast their ballots.

POST SECONDARY EDUCATION

University funding in keeping with the Federal-Provincipal Fiscal Arrangements Act is channeled to the Consolidated Revenue Fund of the provincial government and redistributed through the Higher Education Commission in the form of grants to the universities in support of their operating budgets. The provincial government has subsidized costs beyond the federal grants and of course universities also have their private sources of funds.

The universities upon receiving their allocation of funds from the province in effect then reallocate them on the basis of their own priorities.

SOURCES OF REVENUE

The British North America Act of 1867 empowers the Parliament of Canada to raise "money by any mode or system of taxation" and restricts each provincial legislature to direct taxation within the province in order to raise revenue for provincial purposes. Thus, while the federal government employs both direct and indirect taxation across all of Canada, the provincial governments are confined to levying direct taxes within their own boundaries.

The provinces derive their revenue from three main sources: taxes, non-tax receipts and payments from the federal government.

Municipal revenues are rerived from the same three sources, except that municipalities may receive payments from both the federal and provincial governments.

While the means of taxation are, theoretically, unlimited at the federal level they become progressively more limited at the provincial and local levels. In fact, by the time the local level is reached there is only one tax of any significance: the real property tax.

AN INTERIM ASSESSMENT

Variations in service and standards still exist because facilities, equipment, courses and staff need to be financed on a priority basis. In spite of the variations, progress has been achieved.

Larger school units, stimulated in part by federal-provincial building grants (now terminated) are being constructed; consequently, numbers of high schools have decreased from 175 in 1966/67 to 71 in 1971/72; numbers of teaching and non-teaching staff have increased more rapidly than student enrollments; holding power Grades 1 to 12 has increased at an average rate of 2.8% per year as compared with 1.8% per year for the preceding five years prior to 1966/67; numbers of teachers with one or more degrees have increased from 10% to 46%; curriculum offerings have been upgraded to the extent that a 12 year programme in New Brunswick is the equivalent of a 12 year programme in other provinces.

Pressure on provincial revenue remains high and is likely to intensify because the province began to finance jointly a Federal-Provincial Medicare Programme on January 1, 1971. The competition for provincial funds for all provincial responsibilities can be expected to intensify yearly. The policy of the Federal Government for post secondary education, the provincial decision for collective bargaining for the public service and participation in unemployment insurance coverage for another 25,000 public employees effective January 1, 1972 are further constraints.

This competitive factor may well determine the extent to which educational finance decision can be decentralized. The provincial government will probably want to retain fairly firm control of educational expenditures as long as the fiscal outlook remains tight. This is, in fact, one of the arguments in favour of provincial take-over. Educational requirements can now be weighed alongside other programmes by officials who are responsible to the electorate for the full gamut of human services. These officials have all the means (the tax system and expenditure responsibility) to make the hard decisions that are necessary.

PARTICULAR PROVINCIAL PROBLEMS IN FINANCING EDUCATION

1. *The cost factor as related to provincial programmes, equalized assessment and improved opportunities.*—The total provincial budget and the total educational function budget are on a steady incline. The tax effort and debt burden of New Brunswick are among the highest of all provinces despite more than 40% of revenue from the Federal Government.

Aggravating the problem is an under-utilization of manpower; higher than average unemployment; relatively severe seasonal unemployment; a low level of per capita income and of investment; outward migration and severe welfare problems.

2. *Competition with increased demands for service in other departments of the provincial government.*—Health and welfare appear to be requiring increased funds and certainly the government must give increasing priority to economic development if the ever-increasing cost of service programmes is to be met. Pollution control could eventually represent an added cost factor.

3. *Rationalization of broad tax base for general improvement of services with the need to stimulate innovation and dynamic local participation.*—While provincial assumption of costs may represent a forward step for equality of opportunity, a desirable balance of tension is reduced or missing at the local level to aid in the screening process of coping with a full demand for services emanating from all localities.

4. *Problem of peaking public school enrollments and continued cost increases.*—Elementary enrollments are decreasing but increasing percentages of students

at the secondary and post-secondary level despite peaking public school enrollments reflect higher unit costs.

Higher costs and inflation may more than take up expected cost relief on the basis of lower public schools enrollment projections to the 1980's.

5. *Lack of long range planning, consultation and cooperation for the proper utilization of staff, facilities, programmes, and resources at the local, provincial and Atlantic levels.*—Observations and recommendations of many of the studies and commisions of the past twenty-five years are still valid.

6. *Reluctant use of modern technologies to improve the planning process and provide alternatives to uneconomic programmes.*—A fragmentary rather than co-ordinated use of computerization has given too little lead time for decision makers to consider problems before the critical stage. There is the possibility of expanded use of technologies to accommodate individual and small group programmes at the secondary and post-secondary levels where numbers may be too small for such specialization.

7. *Education: A labour intensive activity.*—Eighty-six percent of school board operational budgets are allocated for teaching and non-teaching personnel. Consequently there appears to be limited funds for such other needs as research, planning, instructional materials and innovation.

8. *Problem of proper evaluation of the effectiveness of current programmes in order to determine best what should be retained and what should be changed.*—The cognitive domain needs improved measuring instruments especially French language instruction and the affective domain needs more research.

CLOSING OBSERVATIONS

Provincial assumption of finances requires a careful analysis of costing in terms of appropriate programmes for elementary, secondary and post-secondary education and for a forecast of possible flow of funds over a longer period to enable the Department, School Boards, and Post-Secondary institutions to establish priorities and adjust programmes more effectively.

Provincial funding of education over the past five years has been directed toward new buildings and equipment, expanded transportation; increasing numbers of teachers for school boards; placement and utilization of teachers as determined by boards; increasing salaries through collective bargaining; upgrading curriculum offerings and the provision of adequate under-graduate programmes for English-speaking ,and French-speaking university students as well as alternative programmes in trades, technical and continuing education.

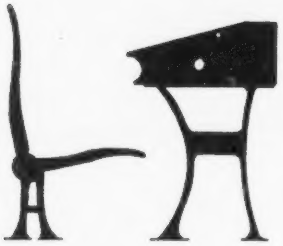
Improved opportunities have come to the people of New Brunswick but the perceptions of the people are influenced by many of the factors contributing to change and unrest in other provinces of Canada and States of the Union.

Competition for educational funding within a province of 28,000 square miles and approximately 634,000 population should not hamper the development of the whole province. Despite valid regional and cultural differences, the co-operative interplay of the segments is essential to provide rational solutions to its critical problems.

It has been said that current problems are often analyzed by decision-makers employing strategies of a preceding era; outcomes are really decided by those having the foresight and courage to employ new strategies. Herein lies the challenge.

NETF

A Practical Solution to the $¢hool Problem



Milton J. Shapp
Governor of Pennsylvania

PREFACE

A Pennsylvania study of a few years ago revealed that 79% of the heads of families on welfare rolls had failed to go beyond the 8th grade in school; slightly over 18% had finished high school, and less than 3% had received any type of post high school training - academic or technical. That situation has not changed radically.

The lesson is obvious.

Either we invest sufficient funds to educate our people so that more of them can become self-reliant citizens, or we continue to pour out an ever-increasing amount of public dollars to sustain those who, because of a lack of education, are unable to participate gainfully in our economic system.

It is obvious too, that if we fail to develop our people, this nation will collapse under the financial burden of maintaining them on a marginal, non-productive level..

A new, practical method must be developed to finance an expanded educational system in the United States.

To meet this challenge, I call for the establishment of a National Education Trust Fund (NETF) by the Federal government.

The concept of the NETF is simple, logical and straightforward. Its operation is consistent with established business principles, following investment principles utilized by our major corporations.

The brief text that follows outlines some of the present problems of financing education and illustrates how NETF would enable this nation to overcome these problems and develop an ever-expanding system of education required to meet the needs of our modern, complex society.

The Need for an Innovative Approach to Educational Finance

The number one problem in education today is finances. Certainly this is true for the local school board forced to stretch its education dollars by firing teachers, eliminating summer school, limiting athletics or outside activities, or extending school holidays.

It is also true for the university trustees who must restrict enrollment and cut financial aid to needy students, the state education agencies confronted by the desperate demands of educators in the largest cities, the governors and the legislators of the states who are forced to weigh the needs of health, environment, justice, transportation, housing, welfare and other needs against those of education, and of the President and Congress who are being pressed to aid our most precious human resources.

This is the view of most taxpayers in the nation. According to the annual survey of education by the Gallup organization, finance is named most often as the major problem confronting the schools.

NETF

The crisis in educational finance has two roots. One is simply that there is not enough money committed to education to meet its ongoing needs. In part, this is due to the severe economic difficulties now confronting our nation and to priority determinations in Washington.

It is also due to an anachronistic system of paying for education. In 1970-1971, 52% of public school revenue was supplied from local sources, 41% from the states and only 7% from the Federal Government.

Virtually all of the local revenue comes from property taxes which are both regressive and inelastic. Because they are inelastic, the revenues from property taxes cannot keep up with the growth in education costs. For every one percent increase in income, property tax revenue will grow by less than 0.8 percent.

Under the current system, the poor, and those with fixed incomes -- notably the elderly -- are forced to finance a disproportionate share of the education of the young.

The states, whose contributions to education have increased from 30% of public school revenue in 1940 to almost 40% today, must also meet soaring costs for many other services such as welfare and crime prevention although these costs are largely out side of the control of the states.*

Our colleges and universities face similar problems since they, too, rely heavily on state aid. In addition, they rely on student fees which can be raised only at the risk of excluding large segments of our society from this important route to economic and social mobility.

Second Root of the Problem

The second root of the financial crisis in education is the issue of equal educational opportunity. The issue was stated clearly by the California Supreme Court last August when it held that state's public school financing system to be unconstitutional. The Court said that the funding scheme, which relies heavily on local property taxes, "invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors." There have been parallel decisions in Minnesota, New Jersey and Texas, and suits are pending in a number of other states.

The constitutional issue centers on the use of local property taxes to finance education. Because the value per pupil of property in some districts is many times that in others, it is possible for wealthy districts to raise large sums of money for education with little effort (i.e., a low tax rate) while poor districts, especially in our major urban centers, are not able to match the sums even with very great effort.

While the quality of education is not solely dependent on the number of dollars spent, money certainly is an important factor. Indeed, it is the poorest school districts (the inner cities and rural areas) which have the highest proportions of disadvantaged pupils who require special and compensatory education. In the wealthy areas, primarily the suburbs, education is often supplemented in the home and community without direct cost to the taxpayers. Equalizing educational opportunity thus depends on local ability to finance education as well as on local need.

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* Pennsylvania's share of meeting public school costs is above the average of all states. In 1971-1972, The Commonwealth paid 49.3% of the cost of primary and secondary public school education.

It is ironic, though understandable, that the money crisis in education has become acute in a period in which there probably will be little growth in the number of pupils in schools. Indeed, enrollment in all schools for kindergarten through twelfth grade, after rising dramatically in the 1960's, is projected to drop by 4% in this decade while costs, excluding construction, are projected to rise 22% by 1980. In higher education, costs are projected to rise faster than enrollment. Costs will increase 84% during this decade while enrollment rises only 53%.

Public school districts across the nation are feeling the effects of the crisis. In cities such as Philadelphia, New York, and Chicago, it is becoming increasingly difficult to complete the full school year because of the shortage of funds. Thus the effects of deterioration in education are being felt most by those with the greatest problems and the least ability to deal with them.

Alternative Approaches

The *Wall Street Journal* has noted that if the crisis in educational financing requires action, it also demands caution and an understanding of the educational process. Some of the suggestions offered may only serve to worsen present problems.

One response to the crisis is the proposal that the states assume up to 100% of the costs of public education. This would eliminate the dependence on local property taxes.

Financing education at the state level, however, is not a simple matter. The Advisory Commission on Intergovernmental Relations has estimated that, based on 1969 data, it would cost the states $13 billion to fund 90% of the cost of education. This would mean an average increase in state expenditures of 31% across the nation, a staggering figure.

The ACIR sees a doubtful outcome if states rely exclusively on sales and personal income taxes.

Most states are finding it extremely difficult under present circumstances to finance the portion of education they have already assumed and simultaneously continue to provide the rest of the services required by the people. To expand their tax bases, the states could collect statewide property taxes, but to do so would simply transfer to the state the disadvantages and inequities of the local property tax. This would also add substantially to the present bureaucracy by adding a layer of state supervision to the present level of municipal and county employes.

Further, property taxes are regressive, they pose both real and political difficulties in achieving equalized assessments, they reduce the possibility of property tax relief, they are expensive to administer, and they do not grow as fast as national income.

A second tax possibility, under serious consideration by the President, is to increase Federal funding of education through a national Value-Added Tax. While the Federal Government should indeed assume a larger share of education costs, the Value-Added Tax is not the proper vehicle since it is extremely regressive and inflationary. It is not an exaggeration to describe the VAT as the worst possible type of tax for this nation. With our system of manufacturing, which utilizes a large share of outside purchased components and subassemblies, VAT would be more inflationary than in other nations in which manufacturers make all or almost all of their parts and assemblies.

A third possibility that has been suggested is for local governments to increase their share of funding of schools by increasing non-property taxes. This is totally unrealistic. What possible new local tax could bear the costs of public education without denying other essential services to the public? Further, enacting such a tax at the local level would serve to drive away industry and reduce other tax bases in the community.

Even if one could be found, this would still tend to tie a child's educational opportunity to the wealth of the community in which he happens to reside. Districts with low per-pupil property valuations also tend to have lower average incomes, lower sales, lower almost everything except costs and taxes.

The alternatives usually put forth for financing higher education also fall short of the mark. Federal tax credits for tuition and deferred tuition proposals favor wealthier families. Also, both open the door for colleges and universities to further increase tuition, which in the last decade grew almost twice as fast as enrollment.

Investment in People

Let's face this fact: the alternatives to financing increased demands for education do not exist in any plan based upon increasing taxes derived from any presently available source.

Let's also face the fact stated in the preface: there is a genuine need for a major increase in funds to support education or else this nation will spend considerably more in the future for welfare and crime control problems that would undeniably be the result of our failure properly to educate the children of today.

The basis for an innovative approach to finance education is this: *the conventional thought that education is a "cost" of government to be borne along with the costs of welfare and crime prevention must be discarded.* Until we do, we shall not resolve the crisis.

We must consider money spent on education to improve the quality of our labor force and the ability of our citizens to lead satisfying lives as an investment by government, not a cost of government. If our funds are invested wisely, this will result in a more productive labor force, earning a higher average income.

Such a labor force will be able to pay higher taxes and thus return the investment, and more besides.

Our national experience with the G.I. Bill after World War II proves the point. Veterans educated through this program have had higher lifetime earnings. Taxes collected on their larger incomes have repaid to the treasury of the United States the modest investment in their education many times over. Many years of tax yield are still remaining.

An investment in education is an investment in people which will create new jobs and future growth. It will pay added dividends in the form of reduced costs of welfare and crime prevention since it will enable more of our citizens to escape the frustrations of poverty and ignorance.

Adopt Business Principles

But we must not attempt to fund such an investment out of current operating income. No major American corporation tries to finance long term investments out of current operating revenue. If it did, it would soon be bankrupt.

It takes 13 to 20 years for the returns on our investment in education to be realized. Today, we are financing both public and higher education out of current tax revenues. This is the main reason why so many of our cities are going broke and our states are in such horrible financial condition. It is a main reason too, why education is so seriously underfunded.

Need for Federal Financing

Neither the benefits of education, nor the ultimate handicaps of its inadequacy, are limited by school district or state boundaries. The Federal government obviously must play a larger role. Also, only the Federal government has the resources for the needed massive investment. At present, education costs make up about 7% of our Gross National Product. In our evolving post-industrial society, education must play an ever more potent role.

Increased federal funding need not upset the basic responsibility which the states have for education under our system of government, nor change the nature of local control.

Massive federal support is needed to strengthen education in all of the states, and this of course will greatly strengthen us as a nation. It would also turn the phrase "equal educational opportunity" into reality and end the rhetoric.

Federal Support Could Strengthen Local Leadership

Not the least of the major advantages of federal financing is that it would make possible a better realization of local control over the process of education. Local school boards now spend most of their time on fiscal matters – balancing budgets, raising taxes, and selling bonds. If this tremendous burden were removed from their shoulders, they would be able to concentrate on the real issues of education: what and how our children are learning, and is their education relevant?

There can be little doubt that all types of education will undergo drastic changes in the coming years. The question is whether these changes will be dictated by financial constraints or by our desires to make education more meaningful for students and for society as an entity. Only if we resolve the financial issues will we be able to deal effectively with the educational ones.

We can solve our financial problems. This wealthy nation can afford to finance a meaningful educational system for all its people. Actually, it cannot afford not to do so for, as indicated previously, survival of America as a nation is at stake.

The National Education Trust Fund

A National Education Trust Fund (NETF) should be created as the vehicle for the required massive educational investment. It would operate as the present Federal Highway Trust Fund does, on a revolving, self-liquidating basis. The Fund would finance a major portion of the costs of education at all levels, from pre-primary through graduate, including technical, adult, and manpower retraining education. When in full operation there would be little need to restrict its investment scope since the return on investment would increase at a rate greater than the rate of investment.

Recipients would repay their education costs through an education tax on income. The tax would vary according to the years of schooling and income, so repayments would be in proportion to benefits received. With the proper rate-of-return structure, in time the NETF would become more than self-sustaining, and either the tax could be reduced or service offered by NETF could be expanded almost without limit.

NETF would also be the vehicle for continuing Federal aid to education to meet national needs. For example, Federal appropriations for education programs might be distributed through the NETF to underwrite specific national security programs.

Since the aim of the Fund is to invest in people and not in buildings, it would contribute only to the direct costs of education and not to other expenses such as construction.

The NETF would be a major force for equalizing educational opportunity throughout the nation. Gross inequities characterizing the present system could be largely overcome by channeling funds through the NETF. Decreasing, or even eliminating, the dependence of public education on the local property tax will reduce the wide variations in local effort and ability to support education which have tended to make the quality of a child's education dependent on the wealth of his family and neighbors.

This is in accord with a National Educational Finance Project recommendation that "The number of dollars spent on education should be based on the educational needs of the children rather than the wealth of the school district."

Assessing Individual Needs

To do this, the NETF will have to develop a basis for assessing individual needs and the costs of meeting them.

Such an approach could be formulated by assigning weights to the per pupil costs of various types of education. For instance, setting the cost of educating an average elementary pupil as a base of 1.00, the National Educational Finance Project found that the cost of educating a physically handicapped pupil is 3.25, that of a youngster in a compensatory education program at 2.00, a kindergarten child at 1.30, and a senior high school student at 1.40.

These particular weights may require further study since they are based on "representative best practice" of the present system, which is a bad one, rather than on objective assessments. This weighting plan also allocates more funds to secondary education than to primary but the latter may produce a higher rate of return since there is greater benefit from secondary schooling where primary education is effective.

Post-secondary school financing might also be based on a system of weights reflecting the costs of various types of training. Perhaps greater weight should be given to "critical needs" such as medicine, or to social service or trade skills, thereby encouraging young people to enter these fields. In any event, the NETF promotes the philosophy that access to higher education - whether academic or vocational - should be based on talent and motivation and not on wealth.

Actually, it is the ability of NETF to supply a larger level of funding to the poorer school districts rather than the wealthy districts that is one of the chief advantages of the plan in addition to its self-liquidating factors.

Educational Control

Present responsibility for public and higher education will be unaltered by the NETF. The NETF need not be involved in the administration of education nor concerned generally with what subjects are taught in the classrooms. It will, however, promote accountability on the part of educators, students, and the general citizenry.

The Fund will have to determine what expenditures will be needed per pupil in various districts and institutions of higher learning to insure a "minimum acceptable level of education." This will be the basis for its allocations and will serve as a guide to educators and citizens on education costs. It will also serve to further nationwide equalization of educational resources.

Since the repayment feature of the plan means that students after graduation will pay for a major share of the cost of their own education, they will be more likely to evaluate relative costs and benefits. Because each year of education will increase the payback rate, education, especially at the post-secondary levels, will be more subject to cost-benefit analysis by its recipients than at present.

This should also encourage more efficient development of our education resources since a student will be more serious about his education and more likely to remain in school only as long as he expects real benefits from his education.

Funding

If it should be decided that NETF fund 50% of the cost of primary-secondary education along with continued state funding at the present 40% level, this would mean that about 90% of the direct costs of this level of education would be provided by non-local sources.* According to the Advisory Commission on Intergovernmental Relations, using a 50-40 ratio of contribution would free about $16 billion at local levels. This money could be used for financing local needs other than education (police, fire protection, trash removal, cultural programs, park and recreation, etc.) which ought to have greater emphasis. Actually, in many local districts all of these extra services could be furnished and taxes still lowered.

Even if there should not be any direct tax relief with the initiation of the NETF, it would most certainly allow for holding the line on tax increases, which is definitely a major step in the right direction.

Repayment plan

Money advanced by the NETF to cover the cost of an individual's education would be repaid through a progressive education tax on income, according to the beneficiary's earnings and number of years and type of schooling. The repayment plan is based on the assumption that since the benefits of education accrue largely to the individual in the form of increased income, status, and desired life style, they ought to be paid for out of career earnings greatly increased by his educational attainment.

An income floor below which no education tax would be made would insure that repayment would not become a burden to anybody. The progressive rates would continue the subsidy that Federal government financing now provides to educate the poor and those who enter lower-paying social service occupations.

A ceiling would limit the progressivity of the tax and insure that it would not cause unfavorable selection in higher education by deterring those from wealthy families.

Repayment would be made when the beneficiary could best afford it -- on his years of highest earnings. In years when an individual had little or no income he would not be taxed. Nor would beneficiaries over 65 pay the tax. Collection of the tax with the Federal income tax would require little additional administrative effort or cost.

By contrast to what is proposed under NETF, the present system levies most of the cost of education on adults who pay not for their own education but for that of their children or someone else's children. The present financing system is particularly unfair to senior citizens who may have no direct benefits.

Financing through NETF would also end the present inequity whereby the poor pay to educate others, then have to pay high rates to obtain the services of those whom they have thus supported up the educational ladder.

Employers would also benefit greatly from educational improvements. This is evident by the number of them who now finance continuing education and on-the-job training of their employes. NETF would take this into account by receiving from employers an amount for each individual employe. In turn, employers would benefit from the reduced property taxes and reduced need to pay to train their workers.

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* There is nothing fixed about the suggested 50-40-10 ratio of funding. A more detailed analysis of cost-benefit ratios might indicate that some of other ration of NETF-state-local contribution would be more practical. The 50-40-10 ratio is used in this analysis as an example.

Individuals and empoyers are not the only ones who would benefit from improved educational opportunities. Increased productivity is an example of a general benefit.

But even more, NETF will lower welfare and crime prevention costs and develop a more informed citizenry. Thus, the whole of society will benefit.

Since this is so, some of the costs of education should continue to be borne by the general public. Paying for construction costs of schools from general revenues is one method to achieve this. This could be done by continuing to pick up the debt service on the sale of school bonds through general funds.

Establishment of the NETF

Since NETF envisions a massive investment in education, it can hardly spring into full operation overnight. It is proposed that the Fund begin with the participation of 10% to 20% of all students the first year, adding 10% to 20% each succeeding year. In this way the Fund would be in full nationwide operation within 5 to 10 years.

(It took far less time to establish an educational system to train 15 million men and women during World War II.)

Such a plan would require an investment of $4-8 billion the first year. It might begin by funding such crucial areas as pre-school and manpower retraining programs as well as college seniors and graduate students, since the latter have already made a substantial investment in their own education and the Fund could provide the "boost" to insure its completion. Also, repayments to the Fund would start quicker since this group of students is on the verge of entering the labor force.

Under this proposal, NETF could begin operation in 1973.

The next section of this text deals with the cost data. By 1980-81 the NETF would be contributing approximately $39-49 billion to education costs at all levels. During this time period, 55% of the funds could be allocated to primary-secondary education, 36% to higher education, and 9% to other programs. As indicated previously, even before 1980, funds would begin flowing back from those now in high school and college who would have begun their work careers.

Thus, the self-liquidating feature of NETF would become evident within a few years of start-up.

COST DATA

The data in this section indicate cost estimates for NETF for the suggested start-up period of 1973 through 1980-1981. In most cases, projections of enrollment and education expenditures are from unpublished data supplied by the National Center for Educational Statistics of the Office of Education. They are consistent with the latest population projections of the U. S. Bureau of the Census based on a low fertility assumption (series D) published in November 1971. The presentation includes overall estimates of costs to the NETF based on two models of start-up which assume the participation of either 20 or 10 percent of students the first year and the addition of 20 or 10 percent annually. These models might represent upper and lower limits of the start-up. They are consistent with a recent study of higher education funding, an Educational Opportunity Bank, which used a rate of 16 percent.

Graph 1 indicates that pre-primary enrollments will nearly triple to 4.4 million children by 1980 while costs will rise from $1.3 billion to $4.7 billion, in 1970-1971 dollars. These data are based on the assumption that average per-child costs for pre-primary education will be the same as for primary-secondary education. The results are not inconsistent with an estimate by the National Educational Finance Project that the cost of providing full-day education for all children between the ages of three and five will be about $4.22 billion in 1980, in 1968-1969 dollars, assuming a substantial increase in the quality of programs.

Graph 2 outlines the impact of the NETF of financing 90% of the cost of pre-primary education. Assuming 10% of the children participate the first year and 10% more each succeeding year, the cost would range from $200 million in 1973 to $3.4 billion in 1980-1981 when 80% would participate. With 20% participation, the costs would range from $400 million to $4.2 billion, with 100% participation in 1977 and thereafter.

While projected enrollments in public and non-public primary and secondary schools will actually decline by about 4% through the decade, current expenditures are projected to rise 22% from $42.6 billion in 1970 to $51.9 billion 10 years later (Graph 1). Table 1 shows that these figures, which exclude enrollments and expenses of independent nurseries and kindergartens, yield projected rises in per-pupil costs from $829 in 1970-1971 to $1,055 ten years later, all in 1970-1971 dollars.

Graph 2 indicates how much of these costs would be financed by the NETF if it were to pay 50% of the direct costs of primary- secondary education. Beginning in 1973, the Fund would pay between $2.3 billion, assuming 10% initial participation, and $4.6 billion with 20%. In 1980-1981 it would pay between $20.8 billion and $26.0 billion. The alternate models would insure that the NETF paid for from 17-29% of the direct costs of education over the decade.

Enrollments in institutions of higher education -- including degree and non-degree students, resident and extension students who are working toward bachelor's or higher degrees, and students taking occupational studies programs preparing for a technical, semiprofessional or craftsmen-clerical positions -- are expected to rise from 8.6 million in 1970 to 13.2 million 10 years later. The direct costs of education are expected to rise almost 84% from current levels of $15.5 billion to $28.5 billion in 1980 (Graph 1).

The availabilty of NETF funds will probably stimulate further enrollment above the projections since it will provide a new source of money to educate those students who cannot now afford the substantial costs of higher education. Table 2 includes two models of the effects of NETF enrollments and costs. The first assumes that with the beginning of NETF in 1973, enrollments and expenditures will rise 1% a year for five years, i.e., 1% the first year, 2% the second, etc., then level off at 5% above current projections. The second model assumes a 2% yearly rise for 5 years, then a leveling off at 10% above current projections. This means that the direct costs of higher education may be as great as $32.9 billion by 1980 vs. $28.5 billion without NETF.

The NETF is not expected to have any effect on per-student costs which are expected to rise in any case from current $1,805 yearly to $2,155 in 1980, an increase of 19% in constant dollars (Table 1).

Graph 2 indicates the cost of NETF financing 60% of the expenditures for educational purposes and related activities in higher education, assuming no change in present enrollment growth rates. Table 2 shows the costs of NETF induced growth.

With 10% of the students participating the first year and 10% more each year, the NETF would pay $1.2 billion of the cost of higher education in 1973 and between $13.7 and $15.8 billion in 1980. The lower amount assumes no NETF-induced growth over current projected enrollments and the higher, a 2% NETF-induced growth factor.

With 20% of the students participating the first year and 20% more each year, the costs would be $2.4 billion in 1973 and from $17.1 to $19.7 billion in 1980, the lower figure with no NETF-induced growth and the higher, with a 2% growth factor.

The 10% or 20% levels of participation reflect the possibility that the NETF may choose to advance money initially only to those in the final year of post-secondary studies and/or in areas of critical occupational needs. They also recognize that the orderly implementation of the NETF probably would require a gradual phasing in. The Fund would provide from $1,147 to $1,293 per student in constant dollars for higher education (Table 1).

Total NETF financing for higher education would range from $58.6 to $100.9 billion through the decade. *This sum for investment in our people is far less than our anticipated expenditure for military programs during this same decade.*

Enrollment and cost projections for adult basic education and manpower retraining programs have not been developed as yet. The data in Table 3, however, indicate that total expenditures on these programs in recent years have been less than $1 billion annually.

Thus, even assuming NETF funding of 90% of the costs and a doubling of expenditures in this area, manpower retraining and adult basic education would not have a significant impact on overall cost estimates for the Trust. For the purpose of overall cost and repayment calculations, it is assumed that NETF obligations in this area would average $1 billion yearly through the decade, an expenditure that must be made to prevent the obsolescence of people.

Conclusions

The foregoing data suggests the following conclusions:

1. Over the 1970-1980 decade, the cost of higher education is projected to rise from $15.5 to $28.5 billion, almost 84%. Primary-secondary education costs are projected to rise from $42.6 to $51.9 billion, only 22%. New sources of funding are therefore most needed for higher education.

2. Although projected basic education costs exceed those of higher education, per-pupil costs for higher education are over twice as great.

3. It is assumed that starting in 1973 the Fund would grow between 10-20% yearly, depending on the amount of money available from the Fund, national priorities in education, and other factors. The 10% and 20% participation rates should be viewed as lower and upper limits rather than alternative proposals for Fund implementation. If the Fund begins in 1973, it could be in full operation sometime between 1977 and 1981.

Table 4 indicates the cost of operating the NETF will range between four and eight billion dollars the first year, 1073. This will grow to between 39 and 49 billion dollars in 1980-1981.

Reimbursement

It is a fundamental goal of the NETF to apportion the costs of education to individuals on the basis of the benefits they receive. Beneficiaries would thus pay an education tax in accordance with their income and schooling. This deferred user tax recognizes that benefits of education accrue largely to the individual in the forms of increased income, status, and a desired life style. Individuals will repay to the Fund in proportion to the extent to which they utilized the educational system.

The actual reimbursement plan would be based on a flexible combination of revenue from several sources. In order to facilitate examination of reimbursement, assumptions have been made. First, it is anticipated that the NETF would operate on a pay-as-you-go basis, that is, income would provide enough to pay current obligations, administrative costs, and some reserve. Second, to simplify, it is assumed that the Fund was in full operation in 1970 and that the present population aged 25-65 had moved through school under the NETF and was fully obligated to pay for its operation.

Because the tax would be based on both income and education received, it has an important income contingency feature: payment would be made when the individual could best affort it.

In years of low income, no tax would be paid. In addition, those over 65 would pay no such tax. Young people could be exempted for their first few post-school years to allow them to serve in the armed forces, Peace Corps or other similar social service, and also to establish a career.

An income floor should be set, perhaps at $3,000 per individual, below which no tax would be required. Establishing a tax ceiling, say at $50,000, would insure that the tax did not cause unfavorable selection by deterring those from wealthy families from going on to higher education. Such a level would still be sufficiently high that it would insure that the high earners would return the investment NETF has made in them and pay a fair share towards those who have derived little or no income improvement from their education.

An education tax of this type also overcomes one of the major difficulties with the property tax as education's basic support. Long-term national income growth is anticipated at about 2.6% annually. Since the NETF tax would be progressive, its yields would grow at a somewhat higher rate. This contrasts with the property tax yield which increases only about 80 cents for each dollar of growth in national income. With education costs rising faster than national income, the only way to avoid steadily and steeply rising tax rates is to substitute a more elastic tax for the present property levy.

Other Benefits

Collecting the education tax in conjunction with the Federal income tax minimizes administrative effort and cost, thus also reducing the amount that would have to be collected. Since it would be collected nationally, it would also overcome the population mobility factor which limits the feasibility of any one city or state raising its education revenues in a similar fashion.

Linking the education tax to benefits received will have several indirect benefits for both students and schools. It has already been noted that this will cause students to weigh the costs and benefits of additional years of schooling. This should further lead them to choose programs they think will be most advantageous and to utilize educational resources more effectively. It may even promote the restructuring of post-secondary education, where costs have risen one and one-half times as fast as enrollments in the last decade. This could include developing new programs and new kinds of educational institutions, reformulating the general education curricula, and shortening the time required for a student to receive a degree. All this tends toward the improvement of our educational efficiency.

Additional Revenue Sources for NETF

In addition to individual and employer contributions, the Fund could receive support from general Federal revenues. In 1970, the Federal Government contributed 11.7% to the expenditures at all educational levels, about $7.7 billion. This money could be channeled through the Fund, taking advantage of the opportunity-equalizing distribution system which would be an NETF feature.

Graph 3 summarizes NETF costs for the years 1970-1980, assuming full operation under the prepared guidelines. Note that the projections for post-secondary expenditures have been inflated by 5% to account for the expansion of higher education which probably will take place under NETF.

In 1970 the NETF share of the costs of education would have been $33.3 billion. In order to develop a detailed tax schedule and to determine whether the NETF was feasible from the point of view of reimbursement, these 1970 costs - plus a margin of 10% - were taken as a target. Both examples assume that the education tax would be paid by individuals rather than by families or households because this is a straightforward approach.*

The data were obtained from the U.S. Census Bureau rather than from the Internal Revenue Service returns since only the former has income-education matrices; thus the tax rates given below are not exact, but they do give an approximation of rates if the trust were operating at this time.

The examples assume an income floor of $3,000 below which no individual would pay any tax, and a tax ceiling at $50,000 above which the tax rate would no longer rise with income. They differ only insofar as they tax spouses who have little or no individual income. Both examples contain assumptions that employers would contribute 33.3% of the cost of the NETF and general Federal Revenues 11.7%.

In the first example, each individual pays his own tax, based on income and years of schooling, with the costs of spouses who earn less than the income floor being borne by all paying beneficiaries. Tax rates would range from .06% for someone who earned $3,000 and completed only one year of pre-kingergarten education - a theoretical but not real lower limit - to 10.3% for someone who earned $50,000 or more and completed four years of college and four years of graduate or professional school. A typical individual who had completed high school and reported an Adjusted Gross Income (AGI) of $6,600 (about the mean for employed individuals with that education in 1970) would pay 2.7%.** A beneficiary who had completed four years of college and earned $10,500 (about the mean for this group) would pay 5.3%. Four years of graduate education would add about another 1.8% to this individual's tax. The tax rate is progressive along two dimensions: income and years of schooling. For example, the tax for an individual with a high school education would vary with his income as follows:

Income	Tax Rate on AGI
$ 5,000	2.29
$10,000	3.47
$20,000	4.02

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* Work is now inder way on examples based on family income which, though more difficult to calculate, probably would be easier to administer.

** The Census Bureau definition of income is similar to,though not the same as, Adjusted Gross Income. Thus these tax rates are only approximate.

For the $10,000-income individual, the tax would vary with education:

Years of Schooling	Tax Rate on AGI
Grade 10	3.00
Grade 12	3.47
College 4	5.30
Graduate 4	7.13

In this example, 1970 income-education data yield would have been:

Individual education tax	$20.1 billion
Employer contribution	$12.2 billion
General revenue	$ 4.2 billion
	$36.6 billion

In the second example, the obligation of the spouse who has little or no income is apportioned to his marriage partner or to all beneficiaries, depending on the income of the partner.

Unmarried individuals would pay an education tax based on their own income and years of schooling as in the first example. For married taxpayers the tax would work like this: A principal earner whose income was more than $8,000 and whose spouse earned less than the mean for all women ($3,500 in 1970) would pay a tax based only on his own income and education and his spouse's tax, based on her schooling and his income; if the spouse earned more than $3,500 she would pay her own tax based on her income and schooling and he would pay his. If his income was less than $8,000, the principal earner would be responsible only for his own tax; if his spouse earned more than $3,500, she would pay her own tax based on her income and schooling; if she earned less than that amount, her share would be made up by all paying beneficiaries.

For example, take the case of a typical individual who was unmarried or with a working wife and who had completed high school. If he reported an Adjusted Gross Income of $9,000 (about the mean for employed males with this education in 1970) his tax would be 2.4% (vs. 3.23% in the first example). However, if this individual were married and/or had a wife who didn't work, he would also be obligated for her education tax, another 2.4% if she had a high school education. Thus he would pay a total of 4.94%, compared with 3.23% in the first example.

A beneficiary with a college education earning $13,000 (about the mean for employed males in this education group) would pay 4.04%, and an additional 4.04% if his spouse with the same education were not employed. In the first example his tax would be 5.30% whether or not he were married.

In comparison with the first example, this one levies lower taxes on unmarried individuals and married individuals with lower incomes, while levying higher taxes on married individuals with higher incomes and non-working spouses.

Keep in mind that if one of these hypothetical examples was already in operation, these would not be financial burdens in excess of everything already being carried. The educational system is in operation and is being funded.

If the $36.6 billion dollars used as an example were actually raised by this alternate means, $32.4 billion dollars currently being raised by the property tax and other taxes would not be levied.

It is assumed the $4.2 billion general Federal revenues would continue to be collected in the present manner.

This could constitute major tax reform, especially for those of limited income and education, or advanced age, who now must bear frequently inequitable burdens to maintain our schools. It would also represent major tax reform for industry, particularly property tax reform.

As indicated, there are numerous ways in which this proposal can be adjusted for maximum effectiveness in terms of financial considerations and national priorities.

It is obvious from the above text that NETF offers a practical method of solving the financial crisis of supporting all levels of education in this country. Much more work must be done to determine maximum investment levels for each type of education and equitable levels of return to keep the Fund self-liquidating.

But NETF definitely offers a valid solution to the problem of financing all levels of education in the United States.

Table 1 Projected Costs of Education–Total and NETF Shares, 1970-80
(1970-71 Dollars)

	Total Per Pupil Costs		N E T F Share		
	Pre-Primary * and Primary-Secondary	Higher Education	Pre-Primary, 90% Funding	Primary-Secondary, 50% Funding	Higher Education, 60% Funding
1970	829	1,805			
1971	871	1,847			
1972	892	1,883			
1973	911	1,911	820	456	1,147
1974	930	1,951	837	465	1,171
1975	953	1,984	858	477	1,190
1976	971	2,010	874	486	1,206
1977	994	2,049	895	497	1,229
1978	1,014	2,075	913	507	1,245
1979	1,035	2,114	932	518	1,268
1980	1,055	2,155	950	528	1,293

* Excludes expenses of independent nurseries and kindergartens.

Source: Calculated from data supplied by the U. S. Office of Education. Cost per pupil figures for pre-primary were assumed to be the same as for primary-secondary, however NETF shares of pre-primary and primary-secondary costs differ.

Table 2 Higher Education – The Effects of NETF - Induced Growth (1970-1971 Dollars)

	Maximum NETF Share of (Billions of Dollars)			NETF Contribution to Cost/Student (Dollars)	NETF Cost at 10% Initial Participation and 10% Increment (Billions of Dollars)			NETF Cost at 20% Initial Participation and 20% Increment (Billions of Dollars)		
	W/Out NETF Induced Growth	With NETF Growth			W/Out NETF Induced Growth	With NETF Growth		W/Out NETF Induced Growth	With NETF Growth	
		1% Growth Enrollments	2% Growth Enrollments			1% Growth Enrollments	2% Growth Enrollments		1% Growth Enrollments	2% Growth Enrollments
1973	11.8	11.9	12.1	1,147	1.2	1.2	1.2	1.2	1.2	1.2
1974	12.7	13.0	13.3	1,171	2.5	2.6	2.6	5.1	5.2	5.3
1975	13.6	14.0	14.5	1,190	4.1	4.2	4.3	8.2	8.4	8.7
1976	14.4	15.0	15.5	1,206	5.8	6.0	6.2	11.5	12.0	12.4
1977	15.2	16.0	16.7	1,229	7.6	8.0	8.4	15.2	16.0	16.7
1978	15.9	16.9	17.5	1,245	9.5	10.0	10.5	15.9	16.9	17.5
1979	16.6	17.4	18.2	1,268	11.6	12.2	12.7	16.6	17.4	18.2
1980	17.1	17.9	19.7	1,293	13.7	14.4	15.8	17.1	17.9	19.7
	—	—	—		—	—	—	—	—	—
Total	117.3	122.1	127.5		56.0	58.6	61.7	92.0	96.2	100.9

Table 3 Adult Basic Education and Manpower Retraining - Enrollment and Costs

	Manpower Retraining[1]		Adult Basic Education[2]		Total	
	Number (in millions)	Cost (in billions of current $)	Number (in millions)	Cost (in billions of current $)	Number (in millions)	Cost (in billions of current $)
1966	0.177	0.39	0.378	0.04	0.555	0.43
1967	0.150	0.33	0.389	0.03	0.539	0.36
1968	0.140	0.32	0.456	0.04	0.596	0.36
1969	0.135	0.25	0.485	0.05	0.620	0.30
1970	0.130		0.536	0.05	0.666	

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[1] Includes institutional and on-the-job programs under the Manpower Development Training Act. Costs are calculated from Federal appropriations which are 90 percent of total expenditures. Data is from Statistical Abstract of the United States, 1968 and 1970.

[2] Under Title III of the Elementary and Secondary Education Amendments, 1966. Source: National Center for Educational Statistics. Adult Basic Education Statistics, 1968-1969. Costs are calculated from Federal appropriations which are 90 percent of total expenditures.

Table 4 Summary of the Cost of Operating NETF – 1973-1980 (Billions of 1970-1971 Dollars)

	10% Participation					20% Participation				
	Pre-Primary	Primary-Secondary	Higher Education[1] (1% NETF Growth Factor	Adult Basic Education & Manpower Retraining	Total	Total	Pre-Primary	Primary-Secondary	Higher Education[2] (1% NETF Growth Factor)	Adult Basic Education & Manpower Retraining
1973	0.2	2.3	1.2	0.1	3.8	7.6	0.4	4.6	2.4	0.2
1974	0.4	4.6	2.6	0.2	7.8	15.7	0.8	9.3	5.2	0.4
1975	0.7	7.1	4.2	0.3	12.3	24.5	1.4	14.1	8.4	0.6
1976	1.0	9.5	6.0	0.4	16.9	34.0	2.1	19.1	12.0	0.8
1977	1.5	12.2	8.0	0.5	22.2	44.3	3.0	24.3	16.0	1.0
1978	2.0	14.9	10.0	0.6	27.5	45.9	3.3	24.7	16.9	1.0
1979	2.6	17.7	12.2	0.7	33.2	47.5	3.8	25.3	17.4	1.0
1980	3.4	20.8	14.4	0.8	39.4	49.1	4.2	26.0	17.9	1.0
Total	11.8	89.1	58.6	3.6	163.1	268.16	19.0	147.4	96.2	6.0

[1] At 2% NETF growth factor, there would be no difference in costs in 1973 and $1.4 billion additional cost by 1980.

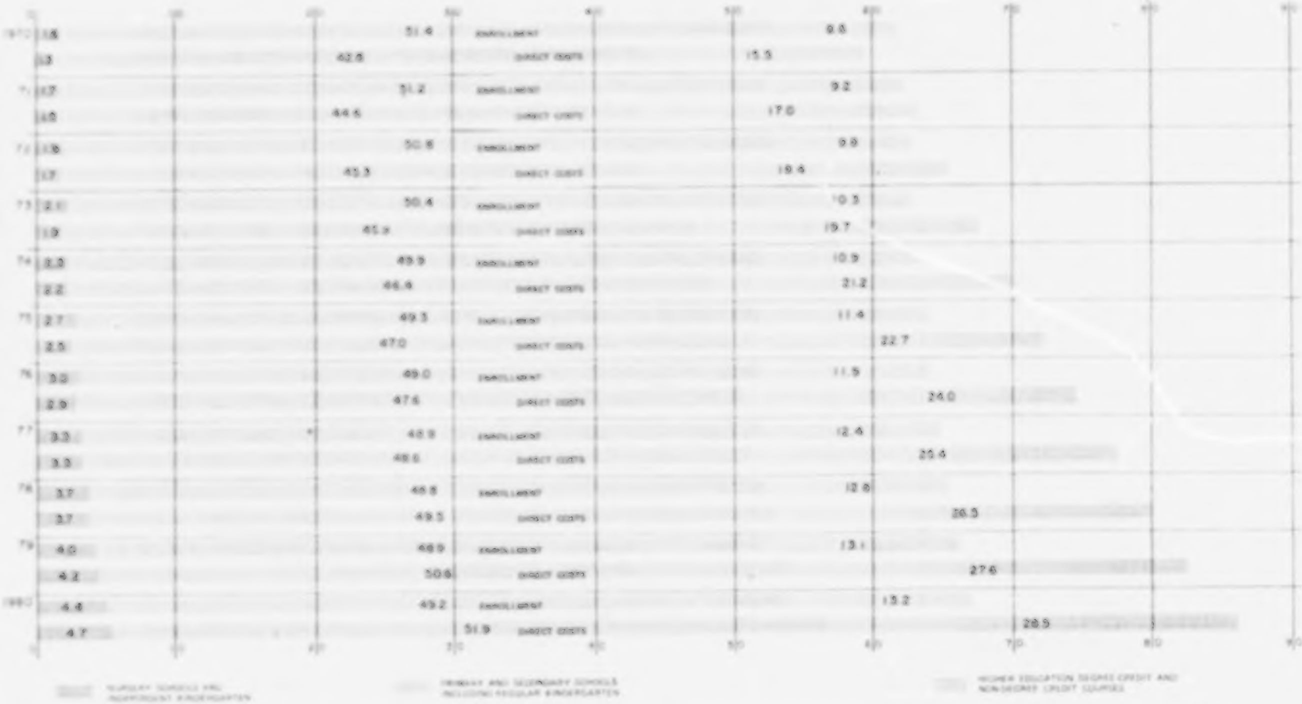
[2] At 2% NETF growth factor, there would be no difference in costs in 1973 and $1.8 billion additional cost by 1980.

Source: Prepared by the Office of State Planning and Development based on data supplied by the U. S. Office of Education.

ENROLLMENTS AND DIRECT COSTS OF EDUCATION

1970 - 1980

GRAPH 1



Source: Unpublished data supplied by the U.S. Office of Education.

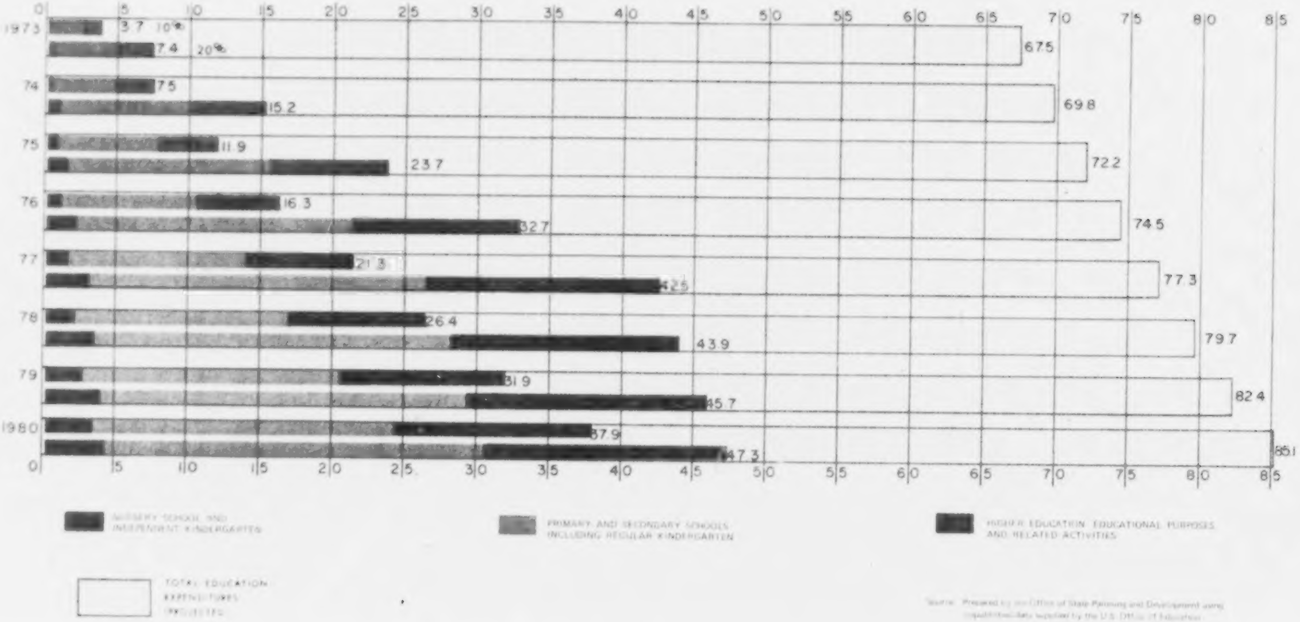
—PROJECTED FOR PUBLIC AND NON-PUBLIC SCHOOLS ALL LEVELS—

GRAPH 2

NETF SHARES OF TOTAL EDUCATION EXPENDITURES

(AT 10 PER CENT AND 20 PER CENT GROWTH)

BILLIONS OF 1970-1971 DOLLARS

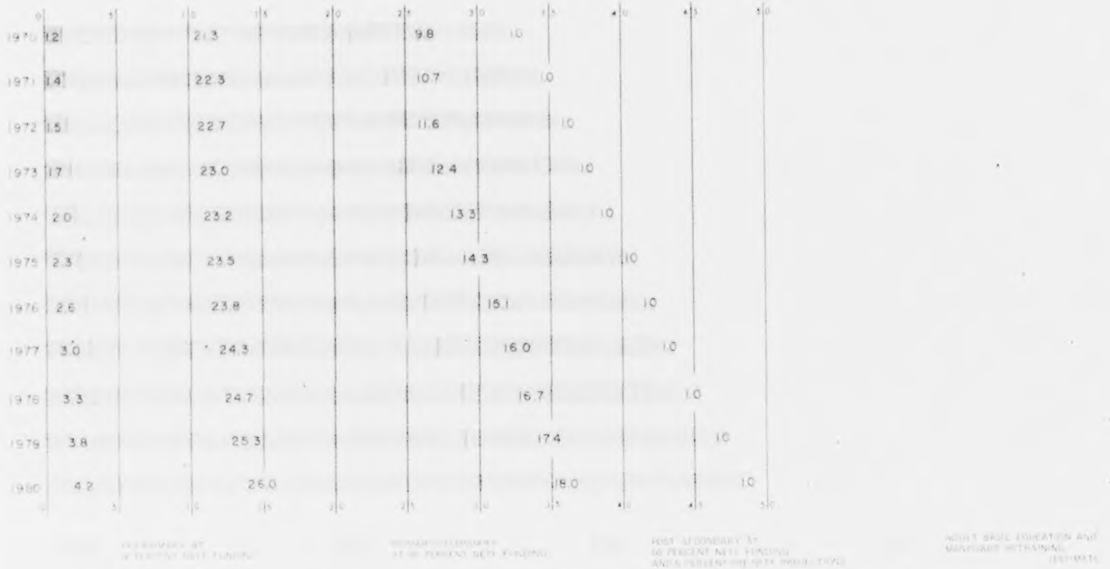


Source: Prepared by the Office of State Planning and Development using unpublished data supplied by the U.S. Office of Education.

GRAPH 3

SUMMARY OF PROJECTED IMPACT – ALL EDUCATION LEVELS

(BILLIONS OF 1970–1971 DOLLARS)



If the 10percent growth factor were to prevail,1970 costs would be greater by 0.4 billion and 1980 costs by 0.8 billion.

STATEMENT ON BEHALF OF THE NATIONAL SCHOOL BOARDS ASSOCIATION

The National School Boards Association is the only major education organization representing school board members—who are in some areas called school trustees. Throughout the nation, approximately 84,000 of these individuals are Association members. These people, in turn, are responsible for the education of more than 95 percent of all the nation's public school children.

Currently marking its thirty-second year of service, NSBA is a federation of state school boards associations, with direct local school board affiliates, constituted to strength local lay control of education and to work for the improvement of education. Most of these school board members, like yourselves, are elected public officials. Accordingly, they are politically accountable to their constituents for both educational policy and fiscal management. As lay unsalaried individuals, school board members are in a rather unique position of being able to judge legislative programs, such as Federal General Aid to Education, purely from the standpoint of public education, without consideration to their personal professional interest.

Association policy is determined at the NSBA annual convention at which representatives from every geographic region of the nation translate policies and resolutions into ongoing programs.

At its annual convention this past Spring, NSBA again reaffirmed its support for Federal General Aid legislation by adopting the following resolution:

The National School Boards Association urges that Congress and the President immediately establish a program of federal support for public education which:

A. Expresses the national concern that each child be provided an equal opportunity for good public education;

B. Compensates for disparities in the need, effort expended, and resources of the states and territories of the United States and subdivisions thereof and the District of Columbia;

C. Provides within four years, a level of expenditure for operational purposes of not less than 40 percent of the total cost of public education;

D. Ensures maintenance of state and local policy determination and effort; and

E. Allocates aid directly to public education.

Mr. Chairman, in light of the record which has been established in recent years, it is not necessary to build for this Subcommittee the case for federal general assistance to our nation's schools, either from an educational or a fiscal standpoint. Indeed, Mr. Chairman, the members of this Subcommittee, including yourself, were among the first to recognize this need, as evidenced by your introduction and co-sponsorship of several bills in this area. Hence, at this stage we believe that we need only focus upon pending legislation rather than the philosophy or the need for general aid.

Specifically, this statement analyzes the National Partnership in Education Act, the Quality School Assistance Act of 1972, the Dow Bill, and General Revenue Sharing. While the purpose of the first two is to provide continuous, direct general aid to education, the third intends to induce the states, in a one-time payment, to assume greater responsibility from local units in funding education. Meanwhile, the fourth is intended to indirectly fund education on a continuous basis by subsidizing other services, hence releasing state monies for education. A short summary of our recommendations follows the bill analysis.

A. NATIONAL PARTNERSHIP IN EDUCATION ACT

1. The distribution formula

The National Partnership in Education Act (H.R. 6179) would provide direct grants to the local educational agencies. In essence, the distribution formula is based on a counting of all students and a double counting of children who are recipients of Title I benefits within the district. The local grant is determined by multiplying the total of these students by a fixed percentage of the combined state and local per pupil expenditure. This percentage (federal contribution rate) for each of the first three years would be 10 percent, 20 percent and 33.3 percent, respectively. The amount so derived is then adjusted by a need factor related to the per capita income of the state.

The first question raised is whether this formula will produce enough new money to meet the anticipated costs of education. In the first year it would produce about 3.5 billion dollars,[1] which could grow to over twelve billion dollars by the third year. Assuming there isn't a massive restructuring of public education, the amounts generated by H.R. 6179, at least in the third year theoretically could absorb much of the backlog for school construction, equipment, texts, as well as relieve the pressures for increased salaries and the inevitable bind of borrowing against the future. We say theoretically because the bill leaves it to the states and local units to determine whether the federal role will be one of new money or one of providing relief—that is a substitute—for their own expenditures. Although the pegging of a district's per pupil grant to state and local expenditures may appear to be an inducement for the maintenance of state and local effort, that result would not necessarily follow since these units could reduce their expenditures and still experience an increase in total education revenues.

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[1] This figure is based on a chart appearing on page H1597 of the *Congressional Record* dated March 16, 1971.

For example, if per pupil expenditures from state and local sources are currently $1,000 per year, under the proposed bill the district would receive roughly $100 per pupil in federal money in the first year and $333 in the third. However, by cutting back local expenditures to say $925 in the first year and say $800 in the third, the school district would have, after receiving its federal grants, a per pupil expenditure of $1017 and $1067, respectively. While NSBA supports the need for state and local school tax relief, we would also support a maintenance of effort provision to guarantee that a substantial part of the federal contribution would be in the form of new money.

2. *Additional grant for counting disadvantaged children*

To the extent that Title I funds are insufficient to meet the costs of special programs for disadvantaged children, hence draining general revenues for all children, we applaud the concept of giving special funds to school districts which have such special children. However, consideration ought to be given to a *federal* maintenance of effort provision for that part of the grant based on the counting of Title I students. The reason is that since Title I students are defined by the level of funding for that program, any sharp appropriations reduction therein or redefinition of low income families will produce reductions in a district's general aid grant to the extent that it affects the number of children who are double counted. Hence, in the absence of a federal maintenance of effort provision for double counted students, Title I school districts may face multiple reductions, regardless of intent or the merits.

One question which may be raised is that if special consideration is going to be given for the incidence of Title I students, would it not make more sense to increase Title I appropriations? The answer is in the negative because many localities wish to operate their own programs for the disadvantaged, which may be broader than the scope of the Title I guidelines. Although it may be desirable to have a certain amount of federal control in this area, it would also be advantageous to permit a certain amount of flexibility, which would occur under a general aid approach. However, the question might then be raised that some local districts might not be spending any of their own funds on special programs for disadvantaged children—let alone a sum equal to that portion of the federal grant derived from the counting of such children. Such districts, the argument goes, would be receiving an unjustified benefit. Perhaps the remedy to this situation would be to provide a dollar for dollar reimbursement to local districts for their extra education expenditures on disadvantaged students with maximum per pupil payments limited by the formula.[2] Similarly, a general aid reimbursement grant could also be made available to the states for the Title I type of programs which they operate.

3. *Equalization of fiscal disparities*

H.R. 6179 adjusts the amount of a district's grant by the ratio of its state's per capita income to the national average. While a more precise formula also might consider corporate income and accumulated wealth, i.e., total resources per child, this provision is a manageable and positive step toward equalizing the cost and quality of education among the states.

Perhaps a more serious question raised is that within the state, the formula not only fails to advance equalization, but might actually widen per pupil expenditures at given levels of local effort. The reason is that the local grant is based upon combined state and local expenditures. Hence, a rich district, i.e., one with high local per pupil expenditures, will receive more federal aid than poorer districts within the state. However, should the equalization principles advanced in *Serrano* v. *Priest*, *Rodriguez* v. *San Antonio*, etc., be sustained by the Supreme Court, then the reformation of state finance laws would automatically take care of this problem. On the other hand, if the Supreme Court does not rule to require that state finance laws accommodate for local variations of wealth, and if this committee supports federal equalization as a matter of policy, which NSBA urges, then a further refinement of the formula would be necessary. For example, to the extent that a local district exceeds the average per pupil expenditure of the state such excess could be made available for redistribution throughout the state on the bases of need—which may or may not include that district. Other provisions of this kind could be made which would also result in a more precise equalization.

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[2] In addition to special education programs, we would include in this reimbursement figure extra effort general expenditures, such as school construction, lower teacher/pupil ratios, etc. in those areas of the district wherein large numbers of disadvantaged children are enrolled.

4. Miscellaneous

a. Authorization of appropriations.—Several other provisions of H.R. 6179 should be discussed. Section 3 authorizes "such sums as may be necessary" to fund the program. We generally prefer authorizing language which specifies a dollar amount. When this is not feasible, the purpose should be satisfied by a finding of fact within the legislation. We underscore the need for stating a dollar amount, since the magnitude of the federal commitment envisioned, more than quadruple that of all existing federal programs combined, will not be apparent to some members when they vote to fund this problem. At the very least, a statement of need would provide this committee's expert guidance to the Appropriations Committee.

b. Commissioner's program.—Section 4 provides that the program would be operated by the Commissioner of Education. With the recent enactment of 92-318, we support program management by the newly created Assistant Secretary of Education rather than at either the Secretary's or Commissioner's level. As to the first, it is administratively easier and less costly for local school boards to establish liaison with one office than to develop multiple communications, applications, and reports for the additional offices which would be involved if the Secretary managed a program of this kind. Furthermore, NSBA has been urging for several years now the recognition of a higher federal priority for education through the establishment of a Department of Education. If this program resided in the Secretary's office, the reverse would result since education's biggest program would be then diffused under the umbrella of HEW. Although at the Commissioner's level, school boards and administrators have a sense of identity with one office which is designed to serve their unique needs, it would now be more appropriate for federal education programs, especially one as significant as general aid, to be operated directly by the education officer of highest authority.

c. Payments.—Section 7 provides that the Commissioner shall "from time to time pay to each state the amount which the local educational agencies are eligible to receive. . . ." Apparently the intent of this language is to parallel the general education provisions. However, assuming there are independently sound reasons to retain the provision, safeguards should be added to prevent the Administration from using Section 7 as a means to unnecessarily withhold or at least delay the distribution of funds. Considering the relatively large percentage of total revenue which this bill would provide and that the funds would be used for the general support of education, delays could work serious hardships on whole school systems.

B. QUALITY SCHOOL ASSISTANCE ACT OF 1972

At this point, we would like to make some observations of a companion bill, the Quality School Assistance Act of 1972.

1. The distribution formula

H.R. 12696 would also distribute general aid funds to local educational agencies under a two part formula. The first part is based on per pupil expenditures, whereas the second part—which is discussed below is pegged to construction needs. The per pupil expenditure element of the formula is in itself composed of two parts. First, a district would receive an amount equal to 20 percent of the product of its average daily membership (ADM) and the state average per pupil expenditure or the national average, whichever is higher. In annual steps, the percentage would increase to 35 percent by the fourth year. Secondly, a district would receive from a fund, which is equal to one third of the national total determined from above, an amount that is proportionate to its share of the nation's children who are from families either earning less than $3000 per year or under the AFDC program.

Therefore, in overall approach, the distribution formula of H.R. 12696 is not radically different from H.R. 6179, although several major differences are readily observable.

First, H.R. 12696 strives toward inter-state equalization by permitting the school district to peg its entitlements to the higher of the state or national average per pupil expenditure. As we saw, H.R. 6179 would achieve equalization according to the relative resources of the state, specifically on the basis of per capita income. In the absence of comparative computer print-outs for given levels of appropriations, it is not possible to say which bill would tend toward greater equalization of *inter*-state disparities. However, on its face, it would appear that H.R. 6179 would be preferable since it would accomplish equalization with some consideration for burden, that is the states' ability to pay. H.R. 12696, on the other hand, by just looking to expenditures and ignoring burden, can result in inequities. For example, a relatively poor state making a high tax effort in order to raise per pupil expenditures over the national average would receive the same federal aid per pupil as a wealthier state taxing at a less burdensome rate to achieve the same per pupil expenditure level. Or, stated somewhat differently, at a given level of tax effort, a wealthy state can receive per pupil grants based on figures in excess of the national average, while a poorer state may only receive amounts pegged to the national average. It should be noted that H.R. 12696 does nothing to encourage low expenditure states to increase their effort, since their grants would probably continue to be based on the national average. On the other hand, high expenditure states would have a strong inducement to increase their effort since every one dollar increase in state funds would bring, depending on the year, a extra 20 to 35 cents in federal funds.

Second, since H.R. 12696 would provide the same pupil grant to all districts within the state, it would tend to equalize the *percentage* of *intra*-state variances in expenditures and/or burden—depending on how the district uses the money. Until *Serrano* becomes a constitutional requirement, this aspect of the formula is preferable to H.R. 6179, which, as noted earlier, tends to broaden variations in per pupil expenditures in favor of those wealthier districts that choose to maintain high per pupil expenditures.

However, H.R. 12696 is like H.R. 6179 in that it does not have a local maintenance of effort provision. Hence, school districts could cut local effort and treat the entire grant as property tax relief. As noted earlier, while we support property tax relief, there should be a minimal maintenance of effort to guarantee that a portion of the federal grant will reflect new money for education.

2. *Additional grants for counting disadvantaged children*

While H.R. 6179 double-counts disadvantaged children, H.R. 12696 counts them 1 and ½ times. Therefore, the question raised is, for general aid purposes, how much of a priority should be placed on those school systems which are impacted by these special children?

There are two arguments favoring the higher priority. First, the findings of the National Education Finance Project weight the cost of providing compensatory programs at twice that of the standard elementary program. Secondly, in addition to the amount of funds which it does place in special programs, a school district enrolling large numbers of disadvantaged children would probably be one that is also squeezed by a poor or deteriorating property tax base, as well as competing for local funds with those other high service costs which are associated with poverty. Therefore, such a district would probably be in need of extra general aid funds. However, whichever means of counting disadvantaged children is adopted, we urge, as noted earlier, that up to the limits of the formula, payments should be in the form of reimbursements for local funds spent for the direct benefit of disadvantaged children. Hence, although a tax-poor district may have a great need for general aid funds, monies derived from this element of the formula which are used for general aid purposes, e.g., construction, should be limited in use to those areas in the districts which serve the largest number of disadvantaged children.

It also should be noted that H.R. 12696 provides a better definition of the disadvantaged child than does H.R. 6179, since it is a more predictable definition. That is, H.R. 12696 sets an eligibility ceiling for counting at the number of children from families earning under $3,000 rather than at the Title I formula.

as does H.R. 6179 (which can vary from $2,000 to $4,000, depending on the level of appropriations). However, the $3,000 figure should be re-examined in terms of its relationship to the family income level of those children who need to be served by special programs.

3. Construction

Under the general aid part of the program, Section 4(b)(4)(D) of H.R. 12696 provides that a district may spend up to 10 percent of its grant on capital outlay and debt service. In addition, section 5, the second part of the program, provides special funding for construction, including aid for modernization. Section 5 payments are made on the basis of $500 per each student in excess of the product of all classrooms in the district multiplied by 30. Section 5 makes an additional counting of 250 students for one-room school houses, 500 students for schools without library facilities, and 500 students for schools without science facilities.

Section 6 provides that once the total appropriations is determined for the two parts of the H.R. 12696 program (i.e., general aid and section 5 construction), any insufficiency therein to satisfy both parts shall result in the same percentage reduction in funding for each. Hence, H.R. 12696 establishes a very definite priority for the construction needs discussed in the above paragraph. In the absence of projections comparing the full funding levels of both parts, we are unable to speak to the merits of this construction priority, which does not appear in H.R. 6179. However, apart from this special categorical priority, the question is raised as to why, under the general aid part, the bill limits the district to a maximum expenditure of 10 percent of its grant for construction purposes. Situations can be envisioned wherein the district may want, for example, to eliminate subarea overcrowding or subarea racial isolation through construction, rather than by busing. Perhaps further consideration should be given to this 10 percent limitation, as well as to a similar 25 percent limitation appearing in H.R. 6179.

4. Miscellaneous

H.R. 12696 would be operated under the *Secretary of Health, Education, and Welfare*, who in any fiscal year would make payments *from time to time*, from an *appropriation of such sums as may be necessary* to carry out the purposes of the Act. For the reasons presented in our discussion of H.R. 6179 (see page 5), we object to the administration of this program under the Secretary and suggest further that provisions permitting the Secretary to make payments from time to time be reviewed, as well as urge the finding of a needed dollar amount for the authorization of appropriations.

C. THE DOW BILL

Another bill, which was introduced by Mr. Dow, on March 31 of last year, would provide general aid by adding a new Title VI to the Elementary and Secondary Education Act.

At the outset, it should be noted that the bill was not offered as a continuing program of general aid to education, but as a one-time bonus to encourage states to absorb more of the costs of education now being assumed at the local level. More specifically, it is offered as a means to induce a substitution of the state income tax for the local property tax to finance education. If the Dow Bill is presented as the full extent of Federal General Aid, NSBA opposes it as too narrow in purpose, too short in life, and inadequate in amount. However, the bill does warrant closer analysis in terms of being incorporated as one element of a larger general aid program.

1. Direct assistance grants

Under this bill, a state would be eligible to receive grants for direct assistance and for increasing state fiscal support for education. Under the direct assistance part, a state which assumed more than 50 percent of the cost of education would receive an amount equal to the amount which the state would have received under all ESEA Titles, NDEA Titles III, V, and VI, and the Vocational Education Act. However, this general aid money would be in lieu of categorical aid, not on top of it. The wisdom of this approach is suspect since a major reason for enacting these categorical programs is that state and local government had not been able or willing to commit the large resources which such programs require. In light of this background, it would appear to follow that the states would view the direct assistance grant as a means to curtail expenditures on special programs, rather than as a means to continue the funding levels of those programs—but without the strictures of Federal guidelines. Accordingly, while we can appreciate the inducement for more equitable state systems of school finance, we object to the achievement of that goal to the detriment of disadvantaged children from low income families, handicapped children, or those children pursuing a vocational education.[3]

2. State support of education grant

To be eligible for the state support of education grant, a state must show 1) that it has assumed a larger percentage of total state/local education expenditures and, 2) that on a per pupil basis, expenditures have not decreased from the previous year. The amount of the federal grant is equal to one half the increase of expenditures from state sources over the preceding year. However, the grant would then be reduced by the full amount by which total local expenditures have increased. On the other hand, if local expenditures have decreased, the grant would then be increased by that full amount. In other words, for variations in local effort the formula gives a bonus for reductions and penalizes increases. In the event that both state and local expenditures decrease, a state would get a federal grant of one half of the amount by which the reduction in local expenditures exceeds state expenditures. However, in all cases, grants are limited to $100 per pupil.

This formula makes certain assumptions which may not be entirely accurate. First, as an inducement for a greater state share in the financing of education, the bill assumes a state income tax would be used rather than a state-wide property tax. However, a state wishing to maximize its benefits from this bill can replace the local property tax with a state property tax rather than using the state income tax. In this connection, although a state-wide property tax may be fairly applied, that in itself does not make it a fair tax. As a regressive tax, and as a tax which is collected in large payments, we would prefer to see a tighter inducement to guarantee a substitute form of taxation as relief for the oppressiveness of the local property tax. But we note that even if a state only substituted a state property tax for a local tax, this aspect of the formula may be laudworthy to the extent that it at least induces states to take the first step toward equalizing education expenditures through uniform tax assessments.

Another assumption made by both parts of the formula is that regardless of the current state share in the cost of education, any increase therein is beneficial. However, a limitless drift toward full state assumption of educational costs is neither of optimum benefit to the educational process, nor is it the only way to arrive at an equalized and non property tax burdened system of school finance. As to the first, the full state assumption of the cost of education can severely undermine local control of education in the implementation of school policy and in dealing with personnel. As to the second, the *Serrano* decision found that in an equitable system of school finance, a local school district, for every level at which it chooses to tax itself, should be able to produce, with state aid, the same per pupil expenditure as any other district in the State. In other words, an equalized system of school finance only requires a level of state funding which is high enough to offset local variations in resources per child.

To pursue the argument against full state funding one step further, it was previously noted that if all residents of a state are equally burdened by school taxation that does not make the tax vehicle, e.g., the local property tax, intrinsically fair. But, at the same time, it cannot be concluded that a more moderate level of local property taxation is intrinsically unfair. Moreover, the case against the local property tax should not rule out all other forms of local taxation to finance education.

Or, even if any local taxation is deemed undesirable, full state assumption of the cost of education is not the only answer, as evidenced by various value-added tax proposals. Therefore, in order to achieve equalization, but to protect local control, we prefer that the states only be encouraged to increase their roles to the extent necessary to 1) remove the opressiveness of local taxes and 2) provide the states with a sufficient enough pool of funds which can be redistributed in a manner which will result in equal educational opportunity and uniform cost burden throughout the state.

Another problem with both grants is that they do not require of the states, as a condition for eligibility, that they develop an equitable system for distributing their finances. That is, while a greater state assumption of education costs would tend to result in greater equity, it does not follow that a larger state role will in itself produce the most equitable system possible. Hence, the bill is really a local property tax substitute, with some equalization being but a probable and incidental benefit, although it could go one step further and encourage both results.

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[3] Although NSBA supports program consolidation and looser federal guidelines, the effect of the Dow Bill is quite different since it permits special purpose expenditures to be done away with altogether.

Finally, it might make more sense for federal grants of this kind to be made as a credit against the costs of transforming to a more equitable system of finance, rather than as an education grant.

With consideration given to the above discussed factors, NSBA would support the inclusion of this kind of Federal encouragement to the states within a broader general aid program.

D. GENERAL REVENUE SHARING

In addition to direct federal aid to school districts, and direct aid to induce greater state funding, one other approach has surfaced which bears discussion.

By way of background, the original general revenue sharing bills provided for the redistribution of a percentage of the federal income tax to the states. A portion, amounting to about one half of the state share, was in turn to be redistributed—or "passed through" to general purpose local governments. As special units of government, school districts were not eligible for direct participation in the "pass through." Furthermore, since an overwhelming majority of the nation's school districts are fiscally independent, they were effectively excluded from indirectly sharing in the "pass through" because it is illegal for the mayors to distribute funds to other governmental units. Although the mayor could make grants to those relatively few *fiscally* independent districts, such districts would have to compete with municipal offices under the mayor for funds. Hence, under the original revenue sharing concept, education's best chances for funding would have been at the state level. But even there, education would be forced to compete for funds with state-wide interests, as well as with other local units seeking more funding in addition to their "pass through" share. The competition at the state level would have been for a total of $2.5 billion. Hence, in the unlikely event that education received the entire state share, the amount would fall far short of the need.

Since then the House passed H.R. 14370 which has a somewhat different format than the original bills. In addition to limiting participation to state units and general purpose local governments, H.R. 14370 also lists those services for which funds may be spent. Education was not included in that list. Hence, whatever remote chance may have existed in the original legislation for some revenue sharing to education was totally quashed by H.R. 14370. To counter the charge that this legislation denies a federal commitment to education, general revenue sharing proponents now use an argument first advanced by the Advisory Committee on Intergovernmental Relations, which, as you know, represents every significant unit of federal, state, and local government, except education. The argument is that if the federal government picks up $5 billion per year in general revenue sharing and another $5 billion in welfare costs, then enough state and local money would be "freed up" to pay for education. However, this reasoning is built upon the assumption that state units would maintain their tax effort and would spend all of this freed up money on education. Both assumptions, particularly the latter are suspect. Furthermore, as for local units no matter how much of their money is "freed up," they are legally precluded by state law from turning any portion thereof over to fiscally independent school districts. And, as for fiscally dependent school districts, there is no guarantee that they would receive the amounts envisioned. Hence, school districts will still have to rely on increases to the already oppressive and unpopular property tax—which is primarily a school tax—to pay education's way, while other state and local units may actually be experiencing tax reductions. In this latter connection, we seriously question whether other municipal tax reductions, assuming they occur, will induce the people to vote for property tax increases—which is the usual method for raising property taxes.

Finally, while a federal property tax relief measure, such as the value-added tax, might ease the average taxpayer's burden in maintaining current education costs, these proposals, which are being developed by ACIR, do not provide new money for education. Hence, general revenue sharing with or without the value-added tax, reveals a low federal priority for education and as such will do little to advance education across the nation—or even to help equalize expenditures within and among the states.

E. SUMMARY

The National School Boards Association considers that direct and continuous Federal general aid to education is essential to the fiscal well-being—and particularly to the progress of public education. Therefore, as to the four alternatives discussed in our statement, NSBA can only give its support to the National Partnership in Education Act and the Quality Assistance Act of 1972. However, as indicated, there are many factors which need to be included or refined in these bills such as provisions for 1) equalizing interstate variations of resources per child; 2) equalizing intrastate variations of resources per child; 3) balancing the extent to which the legislation is a substitute for state or local burden (e.g., a property tax substitute) and the extent to which it provides new money for education; 4) accommodating for unequal geographical distributions of special educational costs (e.g., extra aid on the basis of disadvantaged children); 5) scaling payments to tax effort; 6) encouraging the states to adopt systems of school finance which accommodate for intrastate variations in wealth.

Although both formulae can be improved upon, H.R. 6179 better serves the purposes of items 1 and 4 above, while H.R. 12696 would better serve item 2. Neither address the questions posed by items 3, 5, and 6.

Furthermore, the large amount of federal funding involved suggests the need to develop a relatively high degree of precision in defining such terms as resources per child and tax effort, as well as formula priorities (or limitations) on the use of funds—e.g., construction.

With respect to item 6, the Dow Bill, the sole purpose of which is to encourage greater state assumption of education costs, should not, as currently written, be incorporated into the basic formula. The reason is that part of the payments would be made in lieu of federal categorical aid, with the balance made only on the basis of increased state funding without any absolute requirement for an equalized redistribution of those funds. Furthermore, any such financial encouragement should be in the form of assistance for the cost of shifting to greater state funding, rather than in the form of an education grant. It should be pointed out however, that as a separate piece of legislation, the Dow Bill, because it is a one-time grant, has the special advantage of not resulting in more than minimal federal intereference with the local operation of schools.

General Revenue Sharing is an inadequate alternative because it does not include education as an eligible service, would not provide enough money even if it did, and does nothing to equalize the costs of education within and among the states.

CONCLUSION

The time has ripened for the enactment of Federal general aid to education. Apart from the educational and financial need, public attention has been drawn to the question of inequities in school finance, and the inequities in educational quality and tax burdens resulting therefrom. In this regard, the *Serrano* issues will probably be resolved by the Supreme Court before next June. Coincidentally, the Education Amendments of 1971 will be due for review and extension at that time. Therefore, in order to satisfy educational and public demands, the coming year also presents a technically ideal time during which to coordinate general aid legislation with new constitutional guidelines and existing federal programs, in a hopefully codified format.

APPENDIX C.—LETTERS AND SUPPLEMENTAL STATEMENTS

Stone & Bozeman,
Attorneys at Law,
Knoxville, Tenn., February 24, 1972.

In Re: PL89-10, Title I.

Hon. Carl Perkins, M.C.,
Education Committee,
House Office Building,
Washington, D.C.

Dear Congressman Perkins: Providing an adequate system for the education of our youth is one of the most important functions of local governments in America. Adequate financing of that program by all levels of Government is a necessity. The programs funded by the Federal Government, particularly Title I, enable local school districts to provide enrichment programs in basic fundamental courses of study required in everyday living. Critical to the effectiveness of the Title I Program is adequate funding and assurance of adequate funding in advance of actual use of said funds to enable continuity in program and advance planning.

We know of your interest in supporting appropriations to fund certain educational programs administered by local governments and this letter is written to encourage you and your colleagues to actively support and approve the funding of Title I for fiscal '73 as soon as possible to allow for program continuity and advance planning in a sufficient amount to allow for inflation and to permit programs to continue at present levels. Constant changing of guidelines for Title I results in confusion, therefore, we would urge the continuation of present guidelines to provide for program stability, better public understanding and adequate advance planning.

We would appreciate your early action on this request to the end that the youth of Tennessee and of America may be better served in our efforts to provide educational services.

Yours truly,

C. HOWARD BOZEMAN, *Attorney*.

STATE OF HAWAII,
DEPARTMENT OF EDUCATION,
Honolulu, April 21, 1972.

HON. CARL D. PERKINS,
Chairman, Committee on Education and Labor,
U.S. House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE PERKINS: Recently, the Hawaii ESEA Title III Advisory Council was appraised of certain aspects of the Education Revenue Sharing Act, currently pending before Congress, which appear to threaten future conduct of the entire Title III Program in Hawaii. We understand that this Act, which proposes to consolidate 33 Federal sources of educational funds, would repeal most of the Elementary and Secondary Education Act of 1965 as amended, including Title III. We are particularly concerned that the Education Revenue Sharing Act, as currently drafted, could eliminate funds for the support of innovative programs in education by its failure to stipulate the need for such programs. While we are not opposed to the block grant concept per se, we are aware that block grants traditionally are subsumed by ongoing programs making it difficult to spring funds for the support of innovative programs in education.

Funds now received under ESEA Title III by Hawaii's Department of Education, have enabled Hawaii to effect comprehensive statewide curriculum reforms and as such, have provided Hawaii's student population with outstanding educational improvements. Furthermore, the Hawaii English Program (HEP), funded by ESEA Title III, constitutes the State's major commitment of curriculum development resources. The HEP has received national acclaim and distribution because of its unique character and excellence. We would hope to be able to continue this initiative and achievement in the future by having the appropriate amount of funds needed to accomplish such activities.

The Hawaii ESEA Title III Advisory Council, after careful consideration, has adopted the attached resolution regarding amendment to the Education Revenue Sharing Act being reviewed for Congressional enactment. We are urging Congress to authorize categorical money for innovation regardless of the block grant system incorporated by this Act, and hope you will endorse our attempt to have this legislation amended accordingly.

Yours respectfully,

JOHN A. BROWNELL,
Chairman, ESEA Title III State Advisory Council.

Enclosure.

It is hereby resolved that: the Elementary and Secondary Education Act—Title III Advisory Council for the State of Hawaii acknowledges the need to preserve the intent of Title III of the Elementary and Secondary Education Act of 1965 as amended, within the Education Revenue Sharing Act and all subsequent Federal legislation for education. Further, the Hawaii ESEA Title III Advisory Council urges that members of Congress amend the Education Revenue Sharing Act to stipulate that:

a. Federal funds be used to supplement rather than supplant existing State appropriations to education, and;

b. The same percentage of Federal funds currently devoted to support programs in educational innovation be at least maintained within the context of this Act. It is also

Resolved that: copies of this resolution be forwarded to members of the Board of Education of the State of Hawaii, and to the President of the United States, to the Secretary of Health, Education, and Welfare, to the United States Commissioner of Education, to each member of the Senate Subcommittee on Education, to each member of the House Committee on Education, to each member of Congress from the State of Hawaii, and to each member of the Education Committee of the Hawaii State Legislature.

Unanimously adopted, March 17, 1972.

SOMERSET REGIONAL SUPPLEMENTARY EDUCATIONAL CENTER,
Somerset, Ky., April 19, 1972.

HON. CARL D. PERKINS,
House of Representatives,
Washington, D.C.

DEAR MR. PERKINS: The Somerset Regional Supplementary Educational Center is a Title III ESEA project serving fifteen school districts in an eleven county area of Kentucky, and supervised by the State Title III office, Department of Education, Frankfort, Kentucky.

The enclosed resolution was passed by our Board of Directors at a meeting on March 22, 1972, and forwarded for your consideration.

Very truly yours,

GEORGE A. CORDELL, *Director.*

Enclosure.

RESOLUTION

Whereas: There is a widely acknowledged need for the development, testing and dissemination of new ideas in education;

Whereas: In 1965 Congress and the President in the passage of the Elementary and Secondary Education Act recognized the critical importance of innovation in education in Title III of that Act;

Whereas: Because of fiscal constraints, local school districts with few exceptions, lack the resources for experimentation in education;

Whereas: The only consistent resource for innovation in education is supplied by federal appropriations granted under the authority of the Elementary and Secondary Education Act as amended; and

Whereas: The evidence of the constructive effect of Title III programs is becoming increasingly impressive; therefore be it

Resolved: That the Somerset Regional Supplementary Educational Center Title III ESEA would urge the Executive and Legislative branches of the Federal Government to preserve the unique functions of the Title III program, maintain its integrity and identity continue to place emphasis upon program development, testing, and adoption at the local school district level, and resist any attempt to curtail, eliminate, or incorporate the special purposes of Tile III into general programs, such as Education Revenue Sharing;

And that copies of this resolution be forwarded to the Chairman of the Senate Subcommittee on Education, to the Chairman of the House Committee on Education, to the Chairman of the House Committee on Education, to the Secretary of Health, Education, and Welfare, and to the United States Commissioner of Education.

Unanimously Adopted, Region V Directors, Title III ESEA.

O'LEARY M. MEECE, *Chairman.*

DEPARTMENT OF EDUCATION,
Frankfort, Ky., March 27, 1972.

HON. CARL PERKINS,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PERKINS: For five years Kentucky has advanced steadily along a front of educational innovation at the local level. Federal funds earmarked by Congress specifically for this purpose (P.L. 89-10 in 1965 and P.L. 90-247 in 1967) made possible this advance which benefited thousands of children and teachers in our state during the 1970-71 school year.

With Title III funds, we are able to encourage, develop and initially support innovative educational programs in all areas of the state, help the physically and mentally handicapped, and encourage vocational education.

We are now in danger of losing these hard won advances. If certain Federal shifts in educational policy now under way should take place, Kentucky communities will no longer be able to draw on Federal revenue sharing (S. 1669 and H.R. 7796) proposed by President Nixon, which fail to safeguard any Federal funds for the purpose of local innovation in the manner of Title III.

Unless Congress rectifies this omission and amends this measure, the concept of educational innovation will be eroded, and many states will use these funds for the routine operation of public schools. We request that Congress apply to the President's measure safeguards necessary to protect and advance educational innovation on the local and state level, just as it did with the existing legislation of Title III, ESEA. One specific mandate, for example, enables the State Advisory Council and staff of the State Education Agency to assess the educational needs of their state and develop criteria for funding which are relevant to the state's needs.

Indirectly, the proposed measure bestows the imprimatur for innovation on the United States Office of Education. What happens to ideas emerging from local education systems? Will such ideas be discounted and emasculated when they try to change outmoded methods and stimulate our children to real growth? Will schools in Kentucky no longer be able to continue wider application and diffusion of the innovative concepts and new learning methods already created and tested during the past five years?

We maintain that if school systems must wait until innovation percolates down to them by fiat from Washington, they will be no more than lifeless physical plants responding mechanically to the jerk of the Federal string. We maintain that ideas of educational worth can spring just as well, and often better, out of local environments where teachers and administrators have a first-hand knowledge of children and their needs or problems.

We are disturbed that Washington, tax gatherer and revenue disburser, will also become Washington, the educational idea gatherer and idea disseminator. To concentrate all funds for education innovation to Washington's usage and discretion is not in the best interest of education.

The Federal bureaucracy is a ponderous mechanism whose red tape can only slow the forward thrusts of education. Alfred North Whitehead once wrote that "Ideas won't keep; something must be done about them." We agree. When excellent ideas are generated locally to improve the learning situation for students and teaching practices of schoolmen we do not want these ideas to lose momentum and die in the Washington maze.

We members of the Kentucky Advisory Council for Title III, ESEA, do not want to lose the gains thus far achieved in educational innovation at the local level since 1965. Therefore, we end this communication as we begin it, urging you to amend the proposed legislation on Educational Revenue Sharing to preserve the concept and spirit of Title III. We have enclosed with this letter a memorandum expanding our advocacy in greater detail. We invite you to read this document and/or to have it read by members of your legislative staff. We would appreciate your response to the enclosed materials.

To support our advocacy, some members of the Advisory Council would appreciate a personal audience with you in Washington during the first week of April and to that end we will be contacting your shortly for an appointment.

Sincerely,

MITCHELL DAVIS,
Chairman, State Advisory Council.

Enclosure.

MEMORANDUM

From: State Advisory Council, Title III, ESEA (Ky.).
Date: March 10, 1972.

I. AN INTRODUCTION

This memorandum is being sent to you and to other members of the Kentucky Congressional delegation to appraise you of our position concerning particular shifts in educational policy now taking place at the federal level which will have far reaching effects on the safeguards of those federal monies the Congress earmarked for educational innovation at the local level, as reflected in P.L. 89-10, 1965 and as amended by P.L. 90-247 in 1967. (Appendix A contains a description of this legislation).

Specifically, we refer you to material prepared by the United States Office of Education entitled, "The Right to Learn—President Nixon's Proposal for Educational Revenue Sharing." Within that material is a bill on revenue sharing, S 1669 HR 7796. The bill has the following commendable objectives: to encourage innovation and development of new educational programs and practices; to provide for the physically and mentally handicapped; to encourage greater attention to vocational education; to assure children whose parents live or work on federal property an education comparable to that given to other children; and to provide state and local agencies with greater flexibility in administering programs.

A reading of the document reveals specific requirements to safeguard the objectives of the proposed legislation for all objectives save one, the intention to encourage innovation and development of new educational programs and practices. Should this measure pass as proposed, the concept of educational innovation would be subject to erosion, as many states could use these funds for the routine operation of public schools. We call this serious omission to your attention and submit our request that appropriate safeguards be amended to the bill to advance the cause of education innovation.

Much of what is stated in this memorandum is not unknown to you. We hope, however, that you will review the entire memorandum before reacting to our recommendations. For our recommendations are rooted both in an interpretation of the existing research on Title III E.S.E.A. in Kentucky and in the conviction that ideas of educational worth not only can originate at the local level, but ought to be encouraged by a continuation of some mechanism as in the existing legislation pertaining to Title III E.S.E.A.

Further, we are concerned about the institutionalizing of educational innovation at the United States Office of Education. We are concerned that "official innovations" emanating from the federal level will be disseminated and encouraged across some 20,000 independent school districts of this nation—and that such innovations, enjoying a financial encouragement to adopters, will preclude through lack of safeguarded funds the competition of locally generated ideas to improve educational practices.

Alfred North Whitehead once wrote that . . . "Ideas won't keep, something must be done about them." We believe that something ought to be done about ideas, which, in open competition with other ideas, are worthy of support and implementation. Such ideas ought not travel the Washington route to receive a federal benediction. Therefore, we are distressed as we read reports and statements from Washington which seem to extend the concept of Washington, the tax gatherer and revenue disburser, to the role of an educational idea gatherer and idea disseminator.

In 1930 two-thirds of the tax dollars of this country were collected and disbursed by local and state governments. Today two-thirds of the tax dollars of this country are collected and disbursed by the federal government. We submit that the realm of ideas is as vital as the gathering and dissemination of dollars, and in the following sections of this memorandum we hope to enlist your support toward this position.

II. THE PRESENT EDUCATIONAL SETTING IN WASHINGTON, D.C.

During the seventies, if one puts credence into recent news releases, it will be the intention of the United States Office of Education to concentrate existing categorical aid to education into larger packages focused on fewer recipients designated as "renewal centers." Indeed, the current plan is projected into the 1980's. (This is well documented. For example, at the October 1971 Conference in Washington, D.C. at the Bureau of Elementary and Secondary Education, it was stated that discretionary funds were being concentrated from several acts. In addition, some areas were very low on the priority list, suggesting to us further dangers of concentrating funds at the U.S.O.E. without adequate safeguards.)

Commissioner, Marland and his associates at U.S.O.E. refer to creating a "critical mass" which will have positive pay-offs within a "renewal center" and thence diffused to adopting communities. The assumption underlying this policy involves increasing financial and research input to a level commensurate to effect and demonstrate positive measurable output or modified learner behavior. Commissioner Marland has stated this assumption by analogizing the former U.S.O.E. practice as sowing seed in a haphazard manner, hoping somehow that something would bloom. The Commissioner has volunteered that little, if anything, has bloomed.

The analogy to the agricultural model is perhaps not coincidental. The dramatic increase in American agricultural output followed the establishment of a Department of Agriculture, agriculture stations, agricultural field agents, and support funds necessary to disseminate to "adopters," research generated at the state universities and "aggie" schools. A major component of the agricultural dissemination model was the agricultural station. The proposed National Institute of Education (N.I.E.) could concentrate, organize, initiate, and evaluate research and field trials aimed at improving the "yields" of the nation's schools. Presently, however, the unapproved N.I.E. may be aimed at teachers development.

The proposed renewal centers (200 were planned but present estimates for fiscal '73 are much below this figure), recipients of the "critical mass" of funds research, and change agents, will become demonstration centers supposedly of educational results so dramatic that surrounding school systems will become early adopters of proven procedures. This seems a rational concept, and in theory we do not oppose it—we oppose the lack of safeguards for ideas of equal worth to take place and receive support outside of the official renewal centers.

On another related front, revenue sharing will no doubt come up for consideration by the Congress during 1972. While political observers do not give revenue sharing much chance for passage at this time, the current posture of U.S.O.E. apparently is compatible with the eventual passage of such legislation. With increased disbursements accuring to localities, it can be assumed that a community desirous of adopting an educational practice from a renewal center will have access to the kind of funding necessary to implement the practice. (This is called a "monetary incentive program," and some monies are being expended now on U.S.O.E. priorites.) U.S.O.E. stimuli in the form of discretionary dollars, for the encouragement and dissemination of particular learning practices, learning materials and/or learning systems, has immense importance to concerned schoolmen.

If the President promotes his intention of revenue sharing, the consequences for the renewal centers and potential adopters stated earlier could be both swift and dramatic (especially in and following this election year). At the very least the present U. S. Commissioner, as documented earlier, intends to husband segments of existing categorical aid as discretionary funds to focus on several renewal centers in fiscal '73. Fifteen percent of Title III E.S.E.A. funds are already by law so earmarked as the Commissioner's discretionary funds to be administered from Washington, D.C. and not through the State Agency. Indeed, as this memorandum is being written, U.S.O.E. is undergoing extensive reorganization in order to set up machinery to administer some 200 million dollars in discretionary funds assembled from several pieces of educational legislation.

III. PARAMETERS OF OUR CONCERN—SAFEGUARDS

Historically (1965) it was the mission of Title III to create risk capital that would be used to underwrite innovative or exemplary concepts across the broad range of the educational spectrum. Title III funds were not available on a fomula basis nor as a hardware act, but rather as research and development capital that was competed for, and was theoretielly to gravitate toward ideas of merit.

The present U.S. Commissioner has indicated that "Title III-like" projects, or the innovative "spirit" of Title III will be preserved in the concentrated demonstration renewal centers. We are anxious, however, that the spirit be supported by the flesh. We are concerned that there will be no funds for locally generated innovation. We do not oppose the renewal center concept, indeed, we know little as yet about it. We do strongly urge, however, that such new legislation provide the mechanism to support local on-site educational innovation.

The transition of Title III E. S. E. A. from its present structure to some new structure must contain the ground rules to encourage local curriculum innovation. Title III E. S. E. A. should prove a viable component of education legislation for you to monitor, as it is a rather fragile idea program, and not a hardware program as were the early forebears, such as N. D. E. A. As an idea program, Title III arrived at the end of an education legislation era, and as an idea act it seems closely allied to the objectives of the proposed renewal centers (in all but magnitude). However, dollars for research and development risk ventures have been hard dollars for local educators to set aside or to justify to their local school committees. Innovation has often unjustly become associated with increased per pupil costs. Because such venture capital has historically been vulnerable within education, and because it is the intent of the U. S. O. E. to maintain the spirit of Title III's innovative thrust within the new format of the renewal center, your attention is commended to monitor that transfer and implementation of the innovative role from the one legislative auspices to the other. While negative reaction to federally approved innovations may well be anticipated, will financial inducements (monetary incentives) numb such reactions or decrease efforts toward local alternatives at local cost? This Advisory Council is vitally concerned about these issues and urges that you review closely your position in terms of them.

There is a further contribution of Title III that has received little attention to date. It is a contribution that Euclid postulated centuries ago when he proposed that the whole is greater than the sum of the parts. The concept of Title III E. S. E. A. is more important than specific programs. Yet it is on the evaluation of specific programs that Title III has been, and is being, judged. The processes of educational planning, the processes of innovation are as important as the product or outcome. Those of us engaged in Title III see it as the means to the ends in gathering new ways in which students may grasp knowledge. The second annual report to the President of the United States by the President's National Advisory Council (PNAC—January 1970) captured this concept to some extent; the report was entitled "The Rocky Road Called Innovation." This report included the testimony of Harold Howe II given in 1968 when Mr. Howe was U.S. Commissioner of Education. Mr. Howe stated:

"Title III was born of the conviction that if our schools did not change—if they did not seem capable of coming up with adequate, let alone imaginative, ways of meeting the mounting educational needs of the nation's young—it was not because our schools and communities were empty of creative ideas and individuals. The problem was that our schools, and our school systems, needed a stimulant to seek out new ideas, to risk the failure, the controversy, the difficulty that must inevitably accompany the new and the different, the untried and the untested." Members of this Council subscribe to the statement by our service on the Council. We are anxious that our schools and communities . . not become "empty of creative ideas and individuals," not become deprived of the necessary funds to implement those ideas.

Under Title III innovators traveled a hard road to provide communities with an improved process to solve educational problems. These hard-won processes are worth keeping. The knowledge gained from them should not be lost to the institutionalization of practices targeted, supported, and disseminated from the federal level alone. Across this state, and we assume across this country, can be found people who have developed mechanisms and procedures that would be valuable for the new projects developed at renewal centers. These innovators, and the procedures now developed can be harnessed for the tasks of the proposed new structure.

Title III has from the outset been concerned with the dissemination of exemplary educational practices. In their third annual report, "Educational Reform Through Innovation" the PNAC stated as one of their recommendations, "The National Advisory Council recommends that the Office of Education give priority to setting up specific procedures for national dissemination of promising educational practices." The recommendation does not qualify from whence these practices come, and neither does this Council. This Council does recommend that the gains achieved at the local level since 1965 not be inadvertently lost in new legislation through the lack of proper safeguards. We urge you to supply the necessary safeguards to the proposed legislation of Education Revenue Sharing that will adequately protect funds for the express use of our educational innovations. Only in this manner can the concept and spirit of Title III be transferred intact to the new legislation.

We stand ready to meet with you to discuss further our position. But most of all, we urge you to talk to the Title III people working in the school districts throughout the state. These schoolmen, the children they are working with, and the parents of those children are our evidence in this advocacy. For nothing we have said, not all the educational legislation existing or proposed, means anything unless it improves whatever happens when a teacher and student meet in a learning situation. That is what it is all about in Title III, and we hope you will aid us in forwarding that concept.

Appendix A

TITLE III IS . . .

Title III of the Elementary and Secondary Education Act provides federal funding to local schools for the purpose of stimulating innovation and change in educational practices. It has evolved from recommendations made by the President's Task Force on Education which led to the Elementary and Secondary Education Act of 1965. The original law (P.L. 89-10) provided for grants "to local educational agencies for supplementary educational centers and services, to provide vitally needed educational services and to establish exemplary model school programs." Public Law 90-247 in 1967 amended Title III goals to include "The establishment or expansion of exemplary and innovative educational programs . . . for the purpose if stimulating the adoption of new educational programs." In 1970, guidance and counseling, formerly covered by Title V-A of the National Defense Educational Act, was merged with Title III by Public Law 91-230.

Title III is administered by the Division of Plans and Supplementary Centers of the Bureau of Elementary and Secondary Education of the United States Office of Education. Funds are made available to the states, with allocation based on the number of school-age children in each state. On the basis of an assessment of its needs, each state encourages the development of projects which offer creative approaches to meeting those needs. Fifteen percent of authorized Title III funds are reserved to be administered directly to local school districts by the Commissioner of Education, for projects which hold promise of making a substantal contribution to the solution of educational problems common to all or several states. Criteria for USOE approval of projects include that they be inovative or exemplary, that their educational objectives be measurable, that the projects be soundly planned and economically feasible, that they substantially increase educational opportunities in the area to be served and that they be capable of being disseminated and replicated.

The law provides that in the planning of a Title III program or project there must be participation by persons broadly representative of the cultural and educational resources of the area to be served. There is also provision for state advisory councils to be appointed by state educational agencies, to be representative of the cultural and educational resources of the states, and of the public. A national advisory council is appointed by the President to review and evaluate the administration of the Title and of the programs and projects carried out under it, and to make recommendations for its improvement.

February 29, 1972.

Representative Carl D. Perkins,
Education and Labor Committee,
House of Representatives,
Washington, D.C.

Dear Representative Perkins: For seven years the United States has advanced steadily along a front of educational innovation at the local level. Federal funds earmarked by Congress specifically for this purpose (P.L. 89-10 in 1965 and P.L. 20-247 in 1967) made possible this advance which benefited approximately 10 million children directly each year, in 57 U.S. jurisdictions.

With Title III funds, we were able to encourage, develop, and initially support inovative educational programs in all areas of the nation, help the physically and mentally handicapped, and encourage vocational eduaction. The Fact Sheets accompanying this letter detail a few examples of the 1,300 Title III projects currently operating across the nation, as well as some figures on other educational achievements supported by E.S.E.A. Title III funds.

We are now in danger of losing these hard won advances. If certain federal shifts in educational policy now underway should take place, communities will no longer be able to draw on federal funds earmarked for innovation. This loss is inherent in the bills on revenue sharing (S. 1669 and H.R. 7796), proposed by President Nixon, which fail to safegurd any federal funds for the specific purpose of local innovation in the manner of Title III.

Unless Congress rectifies this omission and amends the legislation, the concept of educational innovation will be eroded, and many states will use these funds for the routine operation of public schools. We request that Congress apply to the President's proposal necessary safeguards to protect and advance educational innovation on the local and state level, just as it did with the existing legislation on E.S.E.A. Title III. One specific safeguard, for example, requires the State Advisory Council and staff of the State Education Agency to assess the educational needs of their state and develop criteria for funding which are relevant to that state's needs.

Indirectly, the proposed measure bestows the imprimatur for innovation on the United States Office of Education. What happens to ideas emerging from local school systems? Will such ideas be discounted and emasculated when they try to change outmoded methods and stimulate children to real growth? Will schools across the nation no longer be able to continue *wider application* and *diffusion* of the innovative concepts and new learning methods already created and tested during the past five years?

We maintain that if school systems must wait until innovation percolates down to them by fiat from Washington they will be no more than lifeless physical plants responding mechanically to the jerk of the federal string. We maintain that ideas of educational worth can spring just as well, and often better, out of local environments where teachers and administrators have a first-hand knowledge of children and their needs or problems.

We are disturbed at signs that Washington, tax gatherer and revenue disburser, will also become Washington, the educational idea gatherer and idea disseminator. To concentrate all funds for educational innovation to Washington's usage and discretion is not in the best interests of education. The federal bureaucracy is a ponderous mechanism whose red tape can only slow the forward thrusts of education.

Alfred North Whitehead once wrote that "Ideas won't keep. Something must be done about them." We agree. When excellent ideas are generated locally to improve the learning situation for students and teaching practices of educators, we do not want these ideas to lose momentum and die in the Washington maze. Neither do we want to see them die at the hand of the state governments because there are no federal safeguards for supporting innovation.

We, as members of the Massachusetts Advisory Council, do not want to lose the gains thus far achieved in educational innovation at the local level since 1965. Therefore, we end our communication as we began it, urging you to amend the proposed legislation on Educational Revenue Sharing to preserve the concept and spirit of Title III. We have enclosed with this letter a memorandum expending our advocacy in greater detail. We invite you to read this document and/or have it read by members of your staff. We would appreciate your response to the enclosed materials. To support our advocacy, the Massachusetts Advisory Council plans to seek personal audience with you in Washington during the first week of April and to that end we will be contacting you shortly for an appointment.

Sincerely,

RUDOLPH J. FOBERT,
Chairman, E.S.E.A. title III,
Massachusetts Advisory Council.

Enclosure.

WHAT E.S.E.A., TITLE III HAS ACCOMPLISHED IN THE UNITED STATES

BACKGROUND

Since 1965 when ESEA Title III funds were first appropriated 6,000 projects have been funded in the nation's 57 jurisdictions. There are currently 1,300 active projects across the nation. From fiscal year 1966 through fiscal year 1972 almost a billion dollars has been allotted to the states under Title III, and approximately 10 million children have been directly served by E.S.E.A. Title III projects each year since 1969.

Funding received, fiscal year 1969–72 (combined totals):

	Thousands
Federal funding for local projects	$920, 382
State administrative funds (7 percent of total)	48, 251
Advisory council funds (33 percent of administration)	19, 200

EXAMPLES OF ONGOING E.S.E.A. TITLE III PROJECTS

Environmental education.—A Milford, Delaware environmental awareness project uses the marshes, sandy beaches and lagoons of the Delaware coastlines as its classroom. Based at the junior high school, the project is open to all teachers and students in the state through field trips, use of the project lab and library and summer workshops.

Vocational education.—The Vocational Education Opportunities Project in St. Louis, Missouri helped turn an old run-down high school into a technical center for every St. Louis high school. In addition to providing curriculum for vocational courses in the comprehensive high schools (and correlating it to local junior colleges) the project allows vocational students to attend their district schools for half a day, and attend courses at the center for the rest of the day.

Special education.—Montana's Behavior Modification Program for Emotionally Disturbed Youth provides individualized tasks and rewards to "problem" students, many of whom had been expelled or placed on medication, or both. The project staff has returned over 50% of their students to regular classes, and more than 60 school programs in the state are now using this model.

Service centers.—The Reading Clinic in Topeka, Kansas attacks reading disability problems through teacher training, and through individual student diagnosis and remedial work. Some 1,000 children in each of the program's three years have averaged a grain of 2.1 years in reading skills during a school year. Technical assistance is provided to other interested school districts.

(For additional information on other E.S.E.A. Title III projects, contact the State Education Agencies, or refer to the booklet, *School Innovations in Review: Title III*, available from the President's National Advisory Council on Supplementary Centers and Services, The George Washington University, 2100 Pennsylvania Avenue, N.W., Suite 818, Washington, D.C. 20037 (202)6767-7255.

EXAMPLES OF PROCESS, SKILLS, AND RESOURCES DEVELOPED WITH TITLE III

1. E.S.E.A. Title III funds have helped set up a network of ERIC microfiche files. ERIC is a national computerized bank of education reports, and includes information on most Title III projects and evaluation studies in the nation. Thus a comprehensive information retrieval system on educational innovation and study has grown over the past several years.

2. E.S.E.A. Title III is piloting a project with University Microfilms to set up a Curriculum Materials Center. The Center screens, reviews and duplicates some of the newest and best curriculum materials. Only non-commercial materials are currently available; but as this service grows, and educators across the nation are able to obtain copies of materials on order, University Microfilms will expand to consider all non-commercial and commercial materials which meet its criteria. This system may save hundreds of thousands of local dollars in developing and locating relevant curriculum materials for each local school district.

3. Through seven years of experience the Title III community has developed considerable expertise in planning, writing, evaluating and implementing project proposals. E.S.E.A. Title III guidelines have caused over half the states to conduct extensive needs assessments of their state's educational systems. Each local project now includes an evaluation and a dissemination component. Model components and procedures of one state have been passed along to other states by the federal officers of E.S.E.A. Title III.

4. The establishment of State Advisory Councils and their specific powers and responsibilities has been invaluable to educational innovation. Here are a few reasons why:

a. Councils serve as a buffer between the Chief State School Officer and pressures from local educators and politicians, simply because they have no vested interest in the administration or programs of E.S.E.A. Title III.

b. Councils have been able to make objective evaluations of local projects as well as recommend program and administrative improvements at the state level. They participate directly in proposal and program evaluation.

c. Since Advisory Council membership must be certified annually by the Office of Education, states have been assured of a balanced group of concerned individuals, representing all the social, cultural and educational resources of the state. For example, 51 of the 57 councils have 60 persons representing the nonpublic school sector, and all councils include a representative of low-income groups.

IN CONCLUSION

State associations of Title III directors, the President's National Advisory Council, the National Association of State Advisory Council Chairmen, as well as the mechanisms mentioned above have brought about extensive coverage of Title III by the mass media, and have led superintendents across the nation participating in Title III programs to reveal: 47% knew of similar projects that had started up in other districts as a result of visits of their Title III projects; on the average, they knew of 20.4 programs each. (Based on a 1970 questionnaire by Norman Hearn at OE)

Superintendents of one state (Massachusetts) revealed: those receiving Title III funds felt that their districts were more open to change as a result of Title III funds. Other superintendents indicated less readiness for change, and less access to information on innovation.

These findings are consistent with I/D/E/A-Kettering Foundation's findings that a support group is helpful and perhaps necessary for innovation to really take roots. Without such a group, innovators tend to lose momentum in the face of opposition. Title III has developed such support groups on both state and federal levels. Mechanisms enabling a group of towns to join in working for educational change have been developed and should not be lost.

KNOXVILLE, TENN., *February 21, 1972.*

Congressman CARL PERKINS,
House Office Building
Washington, D.C.

DEAR CONGRESSMAN PERKINS: PL89–10, Title I funds have brought much help to young people in Knoxville who are in need of extra assistance to their learning experience. As the parent of students attending a qualifying school, I have seen the ways that Title I funds have been used. As a member of the Citizen's Advisory Committee for the past two years, I have been made aware of the many other ways that Title I funds have broadened the scope for many students. To succeed this program needs to be continued.

I urge: (1) that the funding for 1973 be at least 106% of 1972 funding to allow for the affects of inflation and to allow the program to continue at its present level.

(2) that the extension of the Title I Program be authorized as soon as possible to allow for program continuity and to facilitate advance planning.

(3) that the guidelines continue with no changes. Constant changes in guidelines destroy advance planning and confuse public understanding.

Your, serious consideration of the continued funding for PL89–10, Title I Programs would be appreciated.

Sincerely yours,

ELIZABETH J. HENRY.

NATIONAL LEGISLATIVE CONFERENCE,
Washington, D.C., April 25, 1972.

Mr. JACK JENNINGS,
Counsel, General Subcommittee on Education
Washington, D.C.

DEAR MR. JENNINGS: I want to call your attention to the existence of the National Legislative Conference's Special Committee on School Finance appointed last February by Representative Bill Clayton (Texas), Chairman of the NLC Intergovernmental Relations Committee. This Special Committee is composed of fifteen state legislators from around the country, and I have the honor of serving as its Chairman. This Committee was appointed in respose to recent state and federal court decisions which have made it clear that the present system of school finance, based largely on local property taxes, must be changed.

Although it has been accepted that the responsibility for education is reserved to the States, in reality no level of government—federal, state, or local—can escape involvement in the educational process. The acceleration of changes in American society, the vast mobility of its people, and the extent to which gross disparities in education can reflect adversely on the quality of individuals' lives and in the well-being of the national economy have combined to make education a matter of concern extending beyond the boundaries of the separate States.

The present trend at the state level appears to be toward greater state assumption of the full funding and distribution responsibilities which have heretofore been delegated to local school districts. A greater role for the States in financing education, however, cannot be effected without substantial tax increases. Some surveys have concluded that the average State would be required to increase its revenue collections by more than thirty percent if it wished to assume ninety percent of the costs of public schools. Recognizing the heavy financial constraints on most States, it is apparent that increased federal assistance to these units of governments will be necessary.

Without a doubt, the next few years will bring enormous changes in the way public education is financed. The similarity of interests of the States and the federal government in furthering the goals of equal educational opportunity and quality education for all signifies the need for a continuing dialogue between these two levels of government. The Special Committee on School Finance is anxious to establish an appropriate working relationship with the Subcommittee. We are ready to share with your Subcommittee all of our findings, as well as the concerns and expectations expressed to our Committee from individuals and groups involved in school finance reform.

At our first Committee meeting on March 24, primary attention was focused on an understanding of the major issues in the field of educational finance reform. The Committee directed the National Legislative Conference staff to develop guidelines for state action and to prepare specific proposals and recommendations to be considered at its next meeting on May 19. The Committee's final policy recommendations will be submitted to the National Legislative Conference at its Annual Meeting on August 1–3, 1972, in New Orleans. In the meantime, the Office of Federal-State Relations of the National Legislative Conference will serve as the focal point for information for States as they confront this critical issue.

It is our sincere hope that we can work closely with your Committee as we attempt to cope with the difficult problem of how to reform the educational finance systems in our States.

Sincerely,

Senator THOMAS LAVERNE,
New York Senate.

PRESIDENT'S NATIONAL ADVISORY COUNCIL
ON SUPPLEMENTARY CENTERS AND SERVICES,
Washington, D.C., March 23, 1972.

Hon. CARL D. PERKINS,
Chairman, Committee on Education and Labor,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PERKINS: On behalf of the members of the National Advisory Council on Supplementary Centers and Services I am pleased to summarize "ESEA Title III: Time for a Progress Report."

In this, the fourth annual report of the Council, eleven recommendations are made for the improvement of ESEA Title III. I would especially like to call your attention to the following recommendations which are discussed in the report:

VI. The Congress amend the ESEA Title III legislation to emphasize the state advisory councils' role in policy creation and the formulation of program objectives.

X. The Title of ESEA Title III be amended to read "Title III—Educational Innovation and Reform" and appropriate action be taken to change the name of the fifty state advisory councils and the National Advisory Council to emphasize educational innovation and change.

XI. The fiscal year 1973 appropriation for ESEA Title III be double that for 1972, and that not less than $292,000,000 be appropriated for the operation of this Title in fiscal year 1973.

The report cites eleven projects which are selected as a result of a national assessment and are considered worthy of being adopted by other school districts. These projects will be widely publicized by the National Council and the Office of Education during the coming year.

I also would like to call your attention to the results of council sponsored studies on state advisory councils and project continuation which are outlined in the report. These studies strongly indicate that ESEA Title III is accomplishing its mission.

The members of the Council have welcomed the opportunity to review the administration of ESEA Title III and look forward to working with the Congress in strengthening the program during the next year.

Sincerely yours,

DOROTHY S. ROBINSON, *Chairman.*

LINCOLN, NEBR., *February 22, 1972.*

ROMAN C. PUCINSKI,
Chairman, General Subcommittee on Education,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. PUCINSKI: The Nebraska State Advisory Council for ESEA Title III sponsored a two-day conference in Omaha, Nebraska on February 7 and 8, 1972 to review the role of State Advisory Councils and to develop policies and procedures under which Advisory Councils operate. Representatives of State Advisory Councils from twenty states participated in this conference.

Many of the conference participants expressed concern about future legislation which may affect ESEA Title III. It was noted by the conference participants that in the proposed legislation for Education Revenue Sharing there is no provision for the concepts or ideas which have been developed under ESEA Title III. Since Title III is one of the few funding sources available for experimentation in education, and since the conference participants have seen the positive results of Title III projects in their respective states, it was felt that a resolution of support for this program should be drafted. At the request of the conference participants, I have enclosed a copy of this resolution, which was unanimously adopted by the conference members. On behalf of the representatives of these twenty states, I would urge your serious consideration of this resolution.

Respectfully submitted,

ROSCOE SHIELDS, Jr.,
Chairman, ESEA Title III State Advisory Council.

Enclosure.

RESOLUTION

Whereas: There is a widely acknowledged need for the development testing and dissemination of new ideas in education;

Whereas: In 1965 Congress and the President in the passage of the Elementary and Secondary Education Act recognized the critical importance of innovation in education in Title III of that Act;

Whereas: Because of fiscal constraints, local school districts with few exceptions lack the resources for experimentation in education;

Whereas: The only consistent resource for innovation in education is supplied by federal appropriations granted under the authority of the Elementary and Secondary Education Act as amended; and

Whereas: The evidence of the constructive effect of Title III programs is becoming increasingly impressive; therefore be it

Resolved: That the participants in the Nebraska ESEA Title III conference attended by State Advisory Council Chairman and members of State Education Department staff from 20 states urge the Executive and Legislative branches of the Federal Government to preserve the unique functions of the Title III program, maintain its integrity and identity, continue to place emphasis upon program development, testing, and adoption at the local school district level, and resist any attempt to curtail, eliminate, or incorporate the special purposes of Title III into general programs; such as Education Revenue Sharing;

And that copies of this resolution be forwarded to the President of the United States, to the Chairman and each member of the Senate Subcommittee on Education, to the Chairman and each member of the House Committee on Education, to the Secretary of Health, Education, and Welfare, and to the United States Commissioner of Education.

Unanimously Adopted, February 8, 1972.

WORTHINGTON, OHIO, *April 28, 1972.*

HON. CHALMERS P. WYLIE,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN WYLIE: As a former teacher of French in the Columbus schools, I know what a boon the National Defense Education Act Title III, Materials and Equipment, was to the teaching of languages. The House Sub-Committee is now holding the hearings on the funding of Education bills NDEA III, HEA VI, ESEA I, II, III, and therefore I feel it is an appropriate time to request that consideration be given to spending some of the available funds for the support of the teaching of the language Esperanto.

Esperanto is indeed a living language, spoken by groups in 83 countries—the only constructed language, in fact, with a speaking population, says Mario Pei, Emeritus Chairman of Romance Philology at Columbia University. Dr. Pei estimates that there are from eight to fifteen million who speak it.

Esperanto is already being taught in public schools, both secondary and elementary, in California and Oregon; and is offered, or planned, at approximately 19 colleges. Poland, Austria, and Holland are among the European countries which are teaching Esperanto in their schools. Esperanto is not intended to replace other languages. Teachers have found that Esperanto is so easy for children to learn that it serves as an excellent introductory foreign language. Learning Esperanto gives a student the confidence to tackle another foreign language.

I strongly urge you to present the above testimony to the hearing and to make a request that it be inserted in the Sub-Committee hearing record. Would you please send us a copy of the Public Hearings when they are printed? In Esperanto we believse we are promoting a proven means of world communication.

Yours very truly,

(S) Jane A. Wills,
Mrs. Robert Wills.